General Assembly
Official Records
Seventy-second Session
Supplement No. 5F

A/72/5/Add.6

Voluntary funds administered by the United Nations High Commissioner for Refugees

Financial report and audited financial statements

for the year ended 31 December 2016

Report of the Board of Auditors

United Nations • New York, 2017

Please recycle

Note

Symbols of United Nations documents are composed of letters combined with figures. Mention of such a symbol indicates a reference to a United Nations document.

ISSN 0257-0815

Contents

Chapter		*Page*
	Letters of transmittal	4
I.	Report of the Board of Auditors on the financial statements: audit opinion	7
II.	Long-form report of the Board of Auditors	10
	A. Mandate, scope and methodology	15
	B. Findings and recommendations	16
	C. Disclosures by management	33
	D. Acknowledgement	34
	Annex Status of implementation of recommendations up to the year ended 31 December 2015	35
III.	Statement of the responsibilities of the High Commissioner and approval and certification of the financial statements	85
IV.	Financial report for the year ended 31 December 2016	86
	A. Introduction	86
	B. Operational context and activities overview	86
	C. Financial analysis	88
	D. Programme budget performance highlights	92
	E. Risk management	96
	F. Internal control system and accountability framework	97
	G. Going concern	99
V.	Financial statements for the year ended 31 December 2016	100
	I. Statement of financial position as at 31 December 2016	100
	II. Statement of financial performance for the year ended 31 December 2016	101
	III. Statement of changes in net assets for the year ended 31 December 2016	102
	IV. Statement of cash flow for the year ended 31 December 2016	103
	V. Statement of comparison of budget and actual amounts for the year ended 31 December 2016	104
	Notes to the financial statements	105

Letters of transmittal

Letter dated 31 March 2017 from the Controller and Director of the Division of Financial and Administrative Management of the Office of the United Nations High Commissioner for Refugees and the United Nations High Commissioner for Refugees addressed to the Chair of the Board of Auditors

Pursuant to the financial rules for voluntary funds administered by the Office of the United Nations High Commissioner for Refugees (A/AC.96/503/Rev.10), we have the honour to submit the financial statements for the year ended 31 December 2016, certified and approved in accordance with article 11.3 of those rules.

We confirm, to the best of our knowledge and belief, and having made appropriate enquiries with other officials of the organization, the following representations in connection with your audit of the financial statements of the United Nations High Commissioner for Refugees for the year ended 31 December 2016:

1. We are responsible for preparing financial statements that properly present the activities of the organization, and for making accurate representations to you. All of the accounting records and related information have been made available for the purposes of your audit, and all of the transactions that occurred in the financial period have been properly reflected in the financial statements and recorded by the organization in the accounting and other records.

2. The financial statements have been prepared and presented in accordance with:

(a) The International Public Sector Accounting Standards;

(b) The Financial Regulations of the United Nations;

(c) The financial rules for voluntary funds administered by the High Commissioner for Refugees;

(d) The accounting policies of the organization, as summarized in note 2 to the financial statements.

3. The property, plant and equipment, the intangible assets and the inventories disclosed, respectively, in notes 3.5, 3.6 and 3.3 to the financial statements are owned by the organization and are free from any charge.

4. The value of cash, cash equivalents and investments recorded is not impaired and, in our opinion, is fairly stated.

5. All material accounts receivable have been included in the financial statements and represent valid claims against debtors. Apart from the estimated uncollectable amounts, recorded under the allowance for doubtful accounts, we expect all significant accounts receivable at 31 December 2016 to be collected.

6. All known accounts payable and accruals have been included in the financial statements.

7. The commitments of the Office of the United Nations High Commissioner for Refugees (UNHCR) for the acquisition of goods and services, as well as the capital commitments contracted but not delivered as at 31 December 2016, have been disclosed in note 9.2 of the financial statements. Commitments for future expenses have not been recognized as liabilities.

8. All known legal or contingent liabilities as at 31 December 2016 have been disclosed in note 9.3 of the financial statements.

9. All expenses reported during the period were incurred in accordance with the financial rules of the organization and any specific donor requirements.

10. All losses of cash or receivables, ex gratia payments, presumptive fraud and fraud, wherever incurred, were communicated to the Board of Auditors.

11. Disclosure was made, in the financial statements, of all matters necessary to enable them to present fairly the results of the transactions during the period.

12. There have been no events since the UNHCR reporting date of 31 December 2016 that necessitate revision of the information presented in the financial statements thereto.

(*Signed*) Linda **Ryan**
Controller and Director
Division of Financial and Administrative Management

(*Signed*) Filippo **Grandi**
United Nations High Commissioner for Refugees

Letter dated 30 June 2017 from the Chair of the Board of Auditors addressed to the President of the General Assembly

I have the honour to transmit to you the report of the Board of Auditors on the financial statements of the United Nations High Commissioner for Refugees for the year ended 31 December 2016.

(*Signed*) Shashi Kant **Sharma**
Comptroller and Auditor General of India
Chair of the Board of Auditors

Chapter I

Report of the Board of Auditors on the financial statements: audit opinion

Opinion

We have audited the financial statements of the voluntary funds administered by the United Nations High Commissioner for Refugees, which comprise the statement of financial position (statement I) as at 31 December 2016 and the statement of financial performance (statement II), the statement of changes in net assets (statement III), the statement of cash flow (statement IV) and the statement of comparison of budget and actual amounts (statement V) for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the voluntary funds administered by the United Nations High Commissioner for Refugees as at 31 December 2016 and the financial performance and cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (IPSAS).

Basis for opinion

We conducted our audit in accordance with the International Standards on Auditing. Our responsibilities under those standards are described in the section below entitled "Auditor's responsibilities for the audit of the financial statements". We are independent of the voluntary funds administered by the United Nations High Commissioner for Refugees, in accordance with the ethical requirements relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with those requirements. We believe that the audit evidence that we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information other than the financial statements and the auditor's report thereon

The United Nations High Commissioner for Refugees is responsible for the other information, which comprises the financial report for the year ended 31 December 2016, contained in chapter IV below, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, on the basis of the work that we have performed, we conclude that there is a material misstatement in the other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

The United Nations High Commissioner for Refugees is responsible for the preparation and fair presentation of the financial statements in accordance with IPSAS and for such internal control as management determines to be necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the United Nations High Commissioner for Refugees is responsible for assessing the voluntary funds administered by the United Nations High Commissioner for Refugees with regard to the Commissioner's ability to continue as a going concern, disclosing, as applicable, matters related to the going concern and using the going-concern basis of accounting unless management intends either to liquidate the voluntary funds administered by the High Commissioner or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the voluntary funds administered by the United Nations High Commissioner for Refugees to which the financial reporting process is applicable.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with the International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentation or the overriding of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the voluntary funds administered by the United Nations High Commissioner for Refugees.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Draw conclusions concerning the appropriateness of management's use of the going-concern basis of accounting and, on the basis of the audit evidence obtained, whether a material uncertainty exists in relation to events or

conditions that may cast significant doubt on the ability of the voluntary funds administered by the United Nations High Commissioner for Refugees to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the voluntary funds administered by the High Commissioner to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other legal and regulatory requirements

In our opinion, the transactions of the voluntary funds administered by the United Nations High Commissioner for Refugees that have come to our notice or that we have tested as part of our audit have, in all significant respects, been in accordance with the Financial Regulations and Rules of the United Nations and the financial rules for the voluntary funds administered by the United Nations High Commissioner for Refugees.

In accordance with article VII of the Financial Regulations and Rules of the United Nations, we have also issued a long-form report on our audit of the voluntary funds administered by the United Nations High Commissioner for Refugees.

(*Signed*) Shashi Kant **Sharma**
Comptroller and Auditor General of India
Chair of the Board of Auditors

(*Signed*) Kay **Scheller**
President of the German Federal Court of Auditors
(Lead Auditor)

(*Signed*) Mussa Juma **Assad**
Controller and Auditor General of the
United Republic of Tanzania

30 June 2017

Chapter II
Long-form report of the Board of Auditors

Summary

Audit opinion

The Board of Auditors has audited the financial statements and reviewed the operations of the Office of the United Nations High Commissioner for Refugees (UNHCR) for the year ended 31 December 2016. In the Board's opinion, the financial statements present fairly, in all material respects, the financial position of the voluntary funds administered by UNHCR as at 31 December 2016 and its financial performance and cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (IPSAS).

Overall conclusion

UNHCR finances remain sound and the organization maintains a strong financial position, with high levels of liquid assets. In 2016, UNHCR achieved its highest level of donor pledges.

However, the level of demand for UNHCR interventions also increased with ongoing emergencies, an increased number of persons of concern and a continuously challenging donor environment. These interventions are likely to continue to create additional pressures in 2017 and beyond. Likewise, the high level of earmarked donations for specific situations brings challenges for management to focus on priorities and to flexibly deploy resources to meet demand across all areas of activity. Clearly setting out success criteria or formally evaluating projects upon their completion are important processes to inform future projects and to assist in prioritizing available resources.

UNHCR engages in a number of internal reform initiatives which demonstrate willingness to change in order to become more efficient. The Board encourages UNHCR to continue striving for a high quality of monitoring processes.

Key findings

Financial overview

UNHCR continues to enjoy very high levels of support from its donors. The voluntary contributions received increased by $407.6 million to $3,921.9 million. This represents 98.7 per cent of the Office's total revenues of $3,973.8 million and achieved its highest level. The expenses increased by $568.0 million, amounting to $3,846.9 million. The growth mainly resulted from individual and family payments to beneficiaries ($345.9 million) and expenses for implementing partnerships ($160.0 million). The 2016 surplus amounts to $126.9 million.

The overall financial health of UNHCR remains sound and key financial indicators continue to be robust. UNHCR maintains a high ratio of current assets to meet its current liabilities. It has to be noted, however, that the strong appearance of its liquidity status is, in a not negligible manner, also due to the inclusion of pledges made for future years. There also remain constraints with regard to the use of resources since a high proportion of 2016 contributions (86 per cent) is earmarked by donors for specific purposes. Unrestricted funds represented only 14 per cent of 2016 contributions. In addition, although the funding gap (that is, the difference between the resources UNHCR deems necessary to meet needs and the funds available to meet them) slightly decreased compared with the prior year, this gap continued to be

significant and amounted to $3.1 billion. These factors demonstrate that continued efforts need to be made by UNHCR to prioritize resources. To that end, UNHCR, inter alia, needs to properly justify and document its needs. This will also require systematic identification of success criteria and formal evaluation of projects.

Financial and management findings

Sound financial management is essential for providing assurance as to the use of resources allocated to specific objectives. While UNHCR has established stable control processes that facilitate the preparation of the financial statements and management's oversight and review of the accounts, the Board identified cases where additional controls and monitoring steps could further improve the preparation of the accounts. Examples of recommendable additional controls and monitoring steps in that context are provided below.

Examples of recommendable additional controls and monitoring steps

Expenses for implementing partnerships amounted to $1.4 billion in 2016. Reports of implementing partners covering programme expenses in the amount of $123.8 million were outstanding or being processed by UNHCR or were otherwise not yet completed as at the signature date of the financial statements. In the light of that fact, the Board recommended that an accrual equivalent be established to meet potential risks resulting from the outstanding reports, as they have to evidence the recorded expenses. Since the implementing partners have been prepaid for the services which they are obliged to render, the accrual has been offset with the corresponding prepayments.

UNHCR has well-developed processes in place for keeping inventory under review, and the Board's visits to the UNHCR global warehouses in Dubai confirmed the functioning of the processes. However, the Board noted that shipping documents for inbound shipments to the global stockpile in Copenhagen were not available. Evidence in the form of official shipping documents signed by the forwarder and indicating the date of the physical delivery of the goods could not be provided. Shipping documents are essential to determine in particular the transfer of ownership, risks and rewards. It is good practice to store shipping documents over a reasonable period of time.

The Board noted two areas with an incorrect recording of depreciation and amortization, respectively. Three assets resulting from construction projects which were completed and in operation were not depreciated. The error occurred because the three items were not separately created in the asset management module. This recording is necessary to systematically trigger the depreciation. Furthermore, an intangible asset that had already been finalized was not amortized. The Board holds that the UNHCR procedures to control the start point of depreciation and amortization can be improved.

Overview of individual areas where administration and management of operations can be improved

The Board also identified individual areas where the administration and management of operations can be improved. An overview of the Board's findings is provided below.

Individual and family payments to beneficiaries

Cash-based assistance is a significant component of the delivery of support to beneficiaries. During its field visit to Lebanon, the Board noted that the seasonal

support for the months from December 2016 to March 2017 was granted as a one-off payment in December 2016. The standard operating procedures for cash-based interventions in Lebanon were not clear on whether the seasonal support is intended as a monthly distribution or as a one-off payment. At the request of the Board, UNHCR provided supplementary documentation that explained the basis for the decision and made clear that the decision for granting a one-off payment for the winterization support in Lebanon had been made jointly by headquarters and the country operation. The Board holds that the disbursement term of seasonal support should be clear before deciding on a one-off payment.

Risk-based monitoring of implementing partnership expenses

The Board continues to take a positive view of UNHCR processes at headquarters level that support the implementing partnership expenses. Implementing partnerships are guided by a framework that includes comprehensive governance and management instruments for protecting persons of concern to UNHCR. The framework was designed to support accountability with respect to resources entrusted to UNHCR. For instance, the commissioning of external verification of project partnership agreements by UNHCR is part of the accountability and closure process for such agreements.

However, on its visits to country operations, the Board also identified room for improvement, for instance, in identifying project risks and using a risk-based monitoring approach. The quality of the risk descriptions and the underlying risk assessments varied significantly among country operations and sometimes even among offices within the same operation. In some operations key project risks were described in different documents, but in a hardly coherent way.

While the framework for implementing partnerships encourages country operations to adopt a risk-based monitoring approach to the verification and oversight of implemented projects, the Board identified cases in which a risk-based monitoring approach was not adequately used in practice. The findings also highlighted the need to take a more risk-focused monitoring approach and to ensure that monitoring visits to implementing partners are planned in a systematic manner. In times of increased financial restrictions and underfunding of operations, a risk-based monitoring approach is reasonable, as it can reduce the cost and burden of verification while providing stronger and more focused monitoring.

Global fleet management

During its field visits the Board noted that two country operations did not estimate and properly document the number and types of vehicles needed in view of the size and nature of the operation. Good practice is to document the needs and the underlying assumptions against criteria which ensure the cost-effective use of funds and may include programme requirements, security considerations and terrain requirements.

Investment strategy for after-service health insurance

UNHCR funds after-service health insurance liabilities by charging 3 per cent of the net base salary of all Professional and relevant General Service staff. The accumulated funding balance as at 31 December 2016 was $59.9 million. UNHCR currently applies an investment strategy with a maximum term of investment of up to one year. However, the Board pointed out that the after-service health insurance liabilities had a long-term maturity and therefore alternative investment options for the best use of assets funding the Office's long-term liabilities might be considered in addition.

Managing Systems, Resources and People upgrade project

The Managing Systems, Resources and People (MSRP) upgrade project was launched in late 2013 to upgrade and consolidate various modules of the UNHCR enterprise resource planning system into the latest version of PeopleSoft Finance and Supply Chain Management. Furthermore, certain processes were redesigned to achieve better efficiency. Key drivers for the upgrade project were the obsolescence of the software and the discontinuation of the technical support for the MSRP 8.4 version. The Board noted that UNHCR had prepared and endorsed a benefits realization plan for the upgrade project. UNHCR started to refine the benefits and monitor the performance measurement of the project. UNHCR expects efficiency gains to become visible in 2017 and to attain full impact during the period 2017-2018.

Procurement in country operations

During its field visits, the Board noted possibilities to enhance the quality of the procurement process. For instance, certain solicitation processes could have been handled better. In particular, material decisions and assessments during the solicitation process were not adequately and coherently documented. In addition, the Board holds that regular monitoring of non-purchase order purchases (which apply to a procurement value of up to $4,000 within a period of three months) will ensure compliance with the threshold and help prevent such purchases from being used to circumvent applicable framework agreements.

Key recommendations

The Board has made several recommendations based on its audit that are contained in the main body of the report. The main recommendations are that:

(a) **UNHCR liaise with the Copenhagen warehouse management to review the appropriateness of the procedures applied and the actual handling of shipping documents for items owned by UNHCR and stored at the warehouse in Copenhagen;**

(b) **UNHCR establish a process to actively monitor the status of assets under construction. When construction projects are finalized and assets are in service, a process should be put in place to ensure that these assets are recorded in the asset management module and that depreciation starts;**

(c) **UNHCR establish control procedures to identify the point in time when intangible assets are no longer "under development" and become subject to amortization;**

(d) **UNHCR review and, where appropriate, clarify the country standard operating procedures for cash-based interventions with regard to the disbursement term of seasonal support;**

(e) **Country operations enhance the quality of their monitoring activities for project partnership agreements and pay greater attention to developing risk-based monitoring plans for individual project partnership agreements and overall monitoring plans covering all project partnership agreements in an operation;**

(f) **Management in country operations and the regional bureaux regularly review the quality of the financial and performance monitoring of projects with implementing partners;**

(g) **Country operations determine the number and types of vehicles required in view of the operational needs, document the underlying assumptions**

and explain how country operations arrived at their estimates;

(h) **UNHCR consider the possibility of long-term investments to cover risk-adequate financing of after-service health insurance liabilities;**

(i) **UNHCR document good practices and lessons learned from the Managing Systems, Resources and People upgrade project and, where appropriate, use them for other information technology projects;**

(j) **Country operations monitor non-purchase order purchases on a regular basis.**

Previous recommendations

At 30 April 2017, of the 47 recommendations made for 2015 and previous years, 9 (19 per cent) had been implemented, 28 (60 per cent) remained under implementation and 10 (21 per cent) had been overtaken by events (see table in the annex). The Board welcomes the overall progress made in implementing and closing older recommendations.

A. Mandate, scope and methodology

1. In 2016, the Office of the United Nations High Commissioner for Refugees (UNHCR) provided protection and assistance to some 67 million persons forcibly displaced within or outside their countries of origin. It is a devolved organization with almost 11,000 staff working in 471 offices located in 128 countries. Its mandate incorporates delivering support to long-term and protracted situations as well as responding to humanitarian emergencies. Large-scale displacements of people have continued to increase, especially as a result of conflict in the Syrian Arab Republic and South Sudan. UNHCR is funded almost entirely by voluntary contributions, which represented $3.92 billion of overall total revenues of $3.97 billion. Recognized revenue from donor agreements included $759 million relating to future years. Total expenses were $3.83 billion.

2. The Board of Auditors has audited the financial statements of UNHCR and has reviewed its operations for the financial year ended 31 December 2016 in accordance with General Assembly resolution 74 (I) of 1946. The audit was conducted in conformity with the Financial Regulations of the United Nations, the financial rules for the voluntary funds administered by the High Commissioner for Refugees and, where applicable, the Financial Rules of the United Nations, as well as the International Standards on Auditing. The latter standards require that the Board comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

3. The audit was conducted primarily to enable the Board to form an opinion as to whether the financial statements present fairly the financial position of UNHCR as at 31 December 2016 and its financial performance and cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (IPSAS). This included an assessment as to whether the expenses recorded in the financial statements had been incurred for the purposes approved by the governing bodies and whether revenue and expenses had been properly classified and recorded in accordance with the Financial Regulations and Rules of the United Nations and the financial rules for the voluntary funds administered by the High Commissioner for Refugees. The audit included a general review of financial systems and internal controls and a test examination of the accounting records and other supporting evidence to the extent that the Board considered necessary to form an opinion on the financial statements.

4. The Board also reviewed UNHCR operations under United Nations financial regulation 7.5, which requires that the Board make observations on the efficiency of the financial procedures, the accounting system, the internal financial controls and, in general, the administration and management of operations. The Board has commented on the Office's monitoring of project partnership agreements, the Managing Systems, Resources and People (MSRP) upgrade project and procurement in country operations.

5. During the course of the audit, the Board visited UNHCR headquarters in Geneva, the office in Budapest and the global warehouse in Dubai and examined field operations in Greece, Lebanon and Uganda. The Board continued to work collaboratively with the Office of Internal Oversight Services (OIOS) to provide coordinated coverage. The present report covers matters that, in the opinion of the Board, should be brought to the attention of the General Assembly. The Board's report was discussed with UNHCR management, whose views have been appropriately reflected.

B. Findings and recommendations

Key facts	
$7.5 billion	Final budget based on a global needs assessment
$3.97 billion	Revenue reported (including $759 million for future years)
$3.8 billion	Expenses incurred in 2016
67 million	Persons of concern to UNHCR
10,826	UNHCR staff
128	Countries of operation, with 471 offices, including major emergency operations and situations in 2016 (the Central African Republic, Europe, Iraq, South Sudan, the Syrian Arab Republic and Yemen)

1. Previous recommendations

6. At 30 April 2017, of the 47 recommendations made for 2015 and previous years, 9 (19 per cent) had been implemented, 28 (60 per cent) remained under implementation and 10 (21 per cent) had been overtaken by events (see table in the annex).

7. Of the 28 recommendations under implementation, 15 relate to 2015 and 10 relate to 2014. The Board sees continuing progress in implementing outstanding recommendations. This applies, in particular, to some areas of human resources management and the MSRP upgrade project on which the Board had made recommendations in its 2014 and 2015 reports. A further recommendation on lessons learned from the upgrade project is made in the present report.

8. Three recommendations remain open from 2013 and 2012 relating to the global fleet management project, an evaluation of the Jordan cash programme and guidance on cost-effectiveness, with ongoing progress in all areas. The Board welcomes the overall progress made in implementing and closing older recommendations. Many of those under implementation relate to projects and initiatives which are still being rolled out or developed, such as the working group that UNHCR established to develop guidance with regard to cost-effectiveness and value-for-money practices.

2. Strategic reorientation

9. In 2016, UNHCR launched a number of internal initiatives. The Board expects these initiatives to have an impact on the Office's future operations. At the global level, for instance, UNHCR was additionally involved in organizing the first United Nations summit on addressing large-scale movements of refugees in September 2016, which resulted in the adoption of the New York Declaration for Refugees and Migrants (see General Assembly resolution 71/1). The Declaration reaffirms the international protection regime for refugees and commits States to managing forced displacement as a shared international responsibility.

10. In response to global initiatives and to the challenges and opportunities that characterize forced displacement in a complex global environment, UNHCR initiated a strategic reorientation. The reorientation resulted in the issuance of *UNHCR's Strategic Directions 2017-2021* (available from http://www.unhcr.org/5894558d4.pdf) at the beginning of 2017. The publication sets out core directions in

the following five action areas: protection; responding in emergencies; promoting inclusion and self-reliance (also by means of the engagement of development actors); empowerment of the people UNHCR serves; and the pursuit of solutions. UNHCR intends to advance protection and solutions for refugees, internally displaced and stateless people. Given the diversity of the Office's operations worldwide, the elements set out in the strategic directions are not a prescriptive list of priorities to be applied across all operations. Their purpose is, rather, to chart an overall course in relation to major global challenges over the next five years.

11. At the end of 2016, the High Commissioner also launched a rapid high-level assessment of the organizational design and functions of UNHCR at the headquarters level. The headquarters review was meant to realign the organizational design with the strategic directions for 2017-2021. The resulting report contained recommendations that could be quickly implemented, as well as a way forward for the next phase of the headquarters review. For the next phase, for instance, an external assessment of the capacity of the Division of Human Resource Management to implement the UNHCR People Strategy in terms of structure, staffing, tools and processes is recommended.

12. In addition, UNHCR is currently undertaking a comprehensive review of its results-based management framework to simplify and streamline the planning and budgeting processes and associated implementation, monitoring and reporting requirements. This includes a further review and possible simplification of the country operations plans in a longer term.

13. In response to the Board's previous report (A/72/5/Add.6, chaps I and II), UNHCR also revised its internal resource allocation framework, including modifications of the annual planning, review and approval processes to achieve improvements in the quality of the submissions and increased efficiency of the review and approval processes. The revision will further clarify the roles of various headquarters divisions, services and units involved in the processes, including the bureaux.

14. The Board recognizes the reform initiatives, some of which have already affected the Board's follow-up of its previous recommendations. As a result the Board concluded that a number of its previous recommendations had been implemented, that good progress had been made or that the recommendations had been overtaken by events (see table in the annex).

3. Financial overview

15. The Board's review of the financial statements confirms that UNHCR finances remain sound. There are sufficient assets to meet liabilities. The analysis of the main financial ratios confirms that, despite continued emergency pressures in 2016, UNHCR remains in a strong financial position, with high levels of liquid assets.

16. Net assets increased by $130 million to $1.59 billion in 2016. Accumulated fund balances and reserves were $2.17 billion (2015: $2.01 billion) and included cash and investments of $1.12 billion (2015: $1.09 billion).

17. Overall, the key financial indicators remain robust and UNHCR continues to have a high ratio of current assets to meet its current liabilities. In its financial report (see chap. IV below, para. 32), management indicates that liquidity is positively impacted by the inclusion of $759.0 million in pledges made for future years. The Board's analysis of the key financial ratios demonstrates that UNHCR is meeting all its liabilities.

18. In 2016, voluntary contributions received increased by $407.6 million to $3,921.9 million. This represents 98.7 per cent of the Office's total revenues of $3,973.8 million.

19. Expenses amounted to $3,846.9 million, compared with $3,278.9 million in 2015. The increase of $568.0 million mainly resulted from individual and family payments to beneficiaries ($345.9 million) and from implementing partner expenses ($160.0 million). The surplus for the year amounts to $126.9 million (2015: $303.5 million).

Table II.1
Ratio analysis

Description of ratio	*31 December 2016*	*31 December 2015*	*31 December 2014*	*31 December 2013*	*31 December 2012*
Current ratio[a] (current assets: current liabilities)	7.9	8.6	6.9	8.7	9.2
Total assets: total liabilities[b]	2.7	2.7	2.3	3.2	2.6
Cash ratio[c] (cash + investments: current liabilities)	4.0	4.6	3.1	3.5	2.9
Quick ratio[d] (cash + investments + short-term accounts receivable: current liabilities)	6.9	7.5	5.7	7.3	8.0

Source: UNHCR financial statements.

[a] A high ratio indicates an entity's ability to pay off its short-term liabilities.

[b] A high ratio is a good indicator of solvency.

[c] The cash ratio indicates an entity's liquidity. It serves to measure the amount of cash, cash equivalents or invested funds available in current assets to cover current liabilities.

[d] The quick ratio is more conservative than the current ratio because it excludes inventory and other current assets, which are more difficult to convert into cash. A higher ratio means a more liquid current position.

20. The global assessed needs of UNHCR in 2016 were $7.5 billion, compared with $7.2 billion in 2015. Considering available funds of $4.4 billion in 2016 ($3.7 billion in 2015), the funding gap amounted to $3.1 billion ($3.5 billion in 2015). The level of demand for UNHCR interventions further increased with ongoing emergencies, an increased number of persons of concern and a continuously challenging donor environment. These interventions are likely to create additional pressures in 2017 and beyond.

21. There continued to be a high level of earmarked donations for specific situations, creating constraints on management's ability to deploy resources flexibly to meet demand across all areas of activity. Unrestricted funds represented only 14 per cent of monetary contributions in 2016 (see table II.2). The Board notes that UNHCR achieved its highest level of donor pledges as a result of its fundraising and donor conferences in 2016. Governments and intergovernmental organizations continued to be the major donors of UNHCR.

Table II.2
Monetary contributions by type of earmarking in 2016

(Millions of United States dollars)

Type of earmarking	*2016*	*2015 (reclassified)*	*2014*	*2016 (percentage)*	*2015 (reclassified) (percentage)*	*2014 (percentage)*
Unrestricted	555	510	387	14	15	13
Pending earmarking[a]	159	201	159	4	6	5
Country/sector level	2 550	2 020	1 857	65	58	63
Regional/subregional level	601	736	512	15	21	17
Thematic	33	23	26	1	1	1
Total monetary contributions	**3 898**	**3 490**	**2 942**			

Source: UNHCR financial statements.

[a] Contributions pending earmarking are largely those relating to contributions from pledging conferences relating to future years.

4. Financial and management findings and observations

22. Sound financial management is an essential component of the framework of internal control, providing assurance as to the use of resources allocated to specific objectives. UNHCR has established stable control processes that facilitate the preparation of the financial statements and management's oversight and review of the accounts. However, the Board identified some cases where additional controls and monitoring steps could further enhance the high quality of the accounts preparation. In addition, the Board also identified individual areas showing room for improvement in the administration and management of operations. An overview of the Board's analysis, findings and recommendations is provided below.

Contribution receivables

23. In line with the increased contribution revenues, current and non-current contributions receivable increased. Contribution receivables amounted to $934.3 million in 2016, compared with $809.1 million in 2015.

Distinction between current and non-current receivables

24. IPSAS requires the separate classification of current and non-current assets on the face of the statement of financial position unless a liquidity-based presentation provides reliable and more relevant information (IPSAS 1.70). During the audit, the Board noted an error in the distinction between current and non-current receivables. Further analysis by UNHCR revealed an overstatement of current contributions receivables and understatement of non-current contributions receivables in the amount of $7.9 million. The error was corrected. It occurred when the receivables schedule was manually updated for the year-end.

25. **The Board encourages UNHCR to further explore and implement measures to reduce the scope of manual work steps for distinguishing between current and non-current contributions receivable. The Board recommends an improved utilization of data that is available in MSRP.**

26. UNHCR concurred with the recommendation. In the upgraded MSRP environment, as a first step, UNHCR intends to automatically transfer due dates to the receivables schedule without manual intervention. As a second step, UNHCR

intends to simplify the receivables schedule so that it can be produced more directly from MSRP.

Inventories

27. With the level of UNHCR activities growing, the Board notes that the gross value of inventories increased by approximately 20.4 per cent to $218.8 million in 2016. The net value increased by $23.1 million to $203.8 million. Table II.3 highlights the inventories by type, with almost equal increases in all categories.

Table II.3
Inventories by type
(Millions of United States dollars)

Inventory type	*31 December 2016*	*31 December 2015*
Bedding materials	71	59
Household items	49	43
Tents	48	37
Medical hygienic supplies and apparel	27	25
Construction and related equipment materials	20	16
Food and other supplies	3	2
Material consumables	1	–
Gross value	**219**	**182**
Valuation allowance[a]	15	1
Net value	**204**	**181**

Source: Board's analysis of inventory holdings.

[a] A valuation allowance is set up for items with an aging beyond their shelf life. Shelf life is defined as the useful life of the UNHCR inventory groups. Furthermore, inventories are reviewed periodically for obsolescence and an allowance is made on the basis of past experience.

Valuation allowance

28. As shown in table II.3, the amount of $204 million is net of an inventory valuation allowance of $15.0 million. The allowance increased by $13.9 million as compared with 2015. This increase of the valuation allowance was mainly driven by refugee housing units. Initially, the refugee housing units were developed under a research and development project for an innovative shelter solution. As at 31 December 2016, approximately 11,000 units were in stock. Owing to serious potential fire safety risks, UNHCR decided to cease deployments of refugee housing units pending identification and implementation of appropriate mitigation measures. UNHCR established a valuation allowance in an amount of 100 per cent of the value of the units in stock.

Shipping documents

29. UNHCR has well-developed processes in place for keeping inventory under review, and the Board's visits, including one to the global warehouse in Dubai, confirmed the functioning of the processes. Notwithstanding the processes established, the Board noted room for improvement with regard to the availability of shipping documents at the global warehouse in Copenhagen.

30. During its work the Board noted that shipping documents for inbound shipments to the global stockpile in Copenhagen were not available. Evidence in the form of official shipping documents signed by the forwarder and indicating the date of the physical delivery of the materials could not be provided to the Board.

31. Shipping documents are essential to determine in particular the transfer of ownership and risks and rewards associated with the delivered products. It is good practice to store shipping documents over a reasonable period of time. The Board also noted that the procedure in Copenhagen deviated from the one in the global stockpile in Dubai, where all shipping documents were available as hard and soft copies.

32. **The Board recommends that UNHCR liaise with the Copenhagen warehouse management to review the appropriateness of the procedures applied and the actual handling of shipping documents for items owned by UNHCR and stored at the warehouse in Copenhagen. The procedures used for shipping documents should be harmonized at the seven global warehouses. The local context (including local requirements) should be adequately addressed when harmonizing the procedures.**

33. UNHCR concurred with the recommendation and takes the view that adequate shipping documentation should be retained in all global warehouses. UNHCR has started to establish a process that addresses the control weaknesses identified by the Board.

Property, plant and equipment

34. Motor vehicles continue to represent the bulk of property, plant and equipment, constituting $111.2 million (2015: $106.1 million) of the $156.3 million (2015: $146.2 million) in net book value. Table II.4 provides an overview by asset category in comparison to 2015.

Table II.4
Property, plant and equipment by category
(Millions of United States dollars)

Category	*31 December 2016*	*31 December 2015*
Motor vehicles	111	106
Land and buildings	10	12
Generators	10	9
Computer and telecommunications equipment	7	7
Major alterations and improvements	5	4
Other equipment	13	8
Total net book values	**156**	**146**

Source: Board analysis of the asset register.

Global fleet management

35. In its previous report (see A/71/5/Add.6, chap. II, paras. 20-24), the Board recommended that management implement the global fleet management strategy for the period 2014-2018, collecting the most appropriate metrics and data to assess and demonstrate the realization of the planned benefits as early as possible. The Board notes that actions for consistent communication of the global fleet management strategy have been taken. Meanwhile, a very high proportion of the operations

(those in approximately 100 countries) are participating in the global fleet management programme. A study that analyses if the application of the strategy across all offices provides best value for money is expected to be completed soon.

36. The Board reiterates its previous recommendation and the importance of collecting appropriate metrics and data to assess and demonstrate the realization of the planned benefits of the global fleet management programme.

37. During its field visits the Board noted room for improvement in one aspect of the programme. The Board noted that two country operations did not estimate and properly document the required number and types of vehicles needed in view of the size and nature of the operation.

38. A good practice is to document such estimated needs and their underlying assumptions according to criteria that ensure a cost-effective use of funds. Such criteria may include programme requirements, security considerations and terrain requirements.

39. **The Board recommends that country operations determine the numbers and types of vehicles needed to meet operational needs and document the underlying assumptions and how country operations arrived at their estimates. In case country operations need assistance with respect to an accepted methodology to estimate the number and types of vehicles needed for the operation, the Board encourages them to liaise with the asset and fleet management section at headquarters for advice or additional guidance.**

40. UNHCR concurred with the recommendation.

Depreciation start point after completion of assets under construction

41. While the Board took note of the generally sound control processes at headquarters level, the Board noted room for improvement with regard to the monitoring of the "in-service" dates of property, plant and equipment and the commencement of the depreciation.

42. The Board noted that three construction projects were completed and in service. However, no depreciation was recorded. The error occurred because the individual records of the three items were not created in the asset management module. A recoding in the asset management module is necessary to systematically trigger the depreciation.

43. **The Board recommends that UNHCR establish a process to actively monitor the status of assets under construction. When construction projects are finalized and assets are in service, a process should be available to ensure that these assets are recorded in the asset management module and that depreciation starts.**

44. UNHCR acknowledged the error and recorded the accumulated depreciation from the in-service dates until 31 December 2016 in the total amount of $0.9 million in the financial year 2016. UNHCR is reviewing the relevant processes to enhance monitoring and compliance.

Intangible assets

45. In 2016 intangible assets increased significantly by $8.5 million, or 83.6 per cent, to a total net book value of $18.7 million. This amount includes assets under development in the amount of $15.5 million. The main increases in 2016 relate to the MSRP upgrade project ($3.2 million), the proGres software ($1.9 million) and software licences ($3.1 million).

Assets under development status and start of amortization

46. The biometric identity management system (BIMS) is recognized as an asset under development in table 3.6.1 of the financial statements (see chap. V below, note 3.6 to the financial statements). However, the Board noted that the BIMS software development project has already been finalized and amortization should have started earlier.

47. UNHCR has acknowledged the erroneous presentation and confirmed that the previously unrecorded amortization of $0.4 million will be reflected as an expense in financial year 2017.

48. **The Board recommends that UNHCR establish control procedures to identify the point in time when intangible assets are no longer "under development" and become subject to amortization.**

49. UNHCR concurred with the recommendation and intends to enhance its information flows to ensure any change in the status of assets under development is immediately reflected in the accounts.

Capitalization of internal staff costs

50. ProGres is a new registration software programme designed to enhance the collection, sharing and using information on refugees and other persons of concern. The software is intended to offer a unified and standard approach to conducting refugee registration while reducing the number of separate databases. At the end of 2016 the capitalized value of proGres amounted to $9.4 million. Project completion is envisaged for the end of 2017 or the beginning of 2018. When the capitalization of this project started in 2012, internal staff costs of approximately $0.7 million (2013: $0.8 million, 2014: $0.1 million) were capitalized. UNHCR pointed out that in 2016 the internal staff costs were not reliably measurable and as such could not be capitalized.

51. For internally generated intangible assets IPSAS generally requires the capitalization of all directly attributable costs. The Board considers the services of internal staff to create proGres and customize parts of the software as necessary and generally attributable.

52. **The Board recommends that UNHCR establish a process to reliably identify the internal staff costs related to the development of proGres (and other internally developed software) and capitalize such costs where appropriate.**

53. UNHCR took note of the recommendation and intends to design a process to identify, capture and, where appropriate, capitalize internal staff costs for intangible assets under development. Once tested, the process will be applied to all approved information technology projects up to the capitalization threshold. The new practice is expected to be fully deployed for all relevant development projects for the financial year 2018.

Staff Benefits Fund

54. The position of the Staff Benefits Fund represents the respective liabilities minus available funding for the categories after-service health insurance, repatriation, annual leave and other separation benefits. The composition is set out in detail in note 3.14 to the financial statements (see chap. V below) and summarized in table II.5.

Table II.5
Staff Benefits Fund as at 31 December 2016
(Millions of United States dollars)

	Liabilities	*Funding*	*Net fund balance*
After-service health insurance	(582)	60	(522)
Repatriation	(86)	10	(76)
Annual leave	(67)	–	(67)
Other separation benefits	(2)	–	(2)
Total	**(736)**	**70**	**(666)**

Source: UNHCR financial statements, 2016.

After-service health insurance investment strategy

55. Since 2012, UNHCR has been funding after-service health insurance liabilities by charging 3 per cent of the net base salary of all Professional and relevant General Service staff. The accumulated funding balance as at 31 December 2016 was $59.9 million.

56. With regard to these after-service health insurance funding reserves, UNHCR currently applies an investment strategy with a maximum term of investment of up to one year. This is in line with the UNHCR financial regulations, which provide for short-term investments. However, the Board pointed out that the after-service health insurance liabilities had a long-term maturity. The Board holds that an analysis of risks and rewards from a strategy that matches long-term after-service health insurance assets with corresponding liabilities is required. Such an analysis should in particular make reference to time horizon, liquidity requirements and associated currency denominations.

57. UNHCR takes part in an inter-agency working group that aims to pursue opportunities to promote and leverage inter-agency collaboration regarding after-service health insurance reserves. The working group is currently exploring ways of sharing investment approaches and opportunities for collaboration.

58. The Board holds that UNHCR is an important participant in the working group and is in a position to expedite and promote such collaboration. In addition, the Board sees an advantage in assessing alternative investment options for the best use of the Office's available long-term funds.

59. **The Board recommends that UNHCR consider the possibility of long-term investments to cover risk-adequate financing of after-service health insurance liabilities.**

60. UNHCR has agreed to review and assess the investment risk measurement for after-service health insurance reserves. The objective is to devise an investment strategy to match liability profiles based on actuarial evaluation with strategic asset allocations. All inter-agency collaborations are being explored while taking into account the Office's specific liabilities profile and funding plan for after-service health insurance.

Implementing partnership expenses

61. Implementing partnership expenses increased by $160.0 million, or 12.7 per cent, and amounted to $1,420.8 million in 2016 (2015: $1,260.8 million). A breakdown of the implementing partnership expenses by pillar and by rights group is provided in tables 6.1.1 and 6.1.2 of the financial statements (see chap. V below,

note 6.1 to the financial statements). In 2016 UNHCR concluded approximately 1,500 agreements with implementing partners. The largest increases related to operations responding to the Syrian crisis, that is, in Greece, Turkey, the Syrian Arab Republic, Jordan and Lebanon. The major expense categories of the implementing partner expenses are personnel, commercial contracts and building construction contracts.

62. As shown in table 6.1.2, the receipt of implementing partner reports on expenses in the amount of $123.8 million was pending at the signature date of the financial statements. The Board recommended establishing an accrual equivalent to potential risks that might be associated with outstanding partner financial reports evidencing the recorded expenses. Since the partners' services have already been paid for, the accrual is offset with the corresponding prepayments. Reference is made to chapter V below, note 3.7, paragraph 90.

Headquarters processes providing supporting evidence for these expenses

63. The Board continues to take a positive view of the processes by which the Division of Financial and Administration Management of UNHCR supports the expenses incurred through implementing partnerships. Implementing partnerships are guided by a framework that includes comprehensive governance and management instruments for protecting persons of concern to UNHCR. The framework was designed to support accountability with respect to resources entrusted to UNHCR. It outlines the Office's policies, guidelines and practices when working with partners to implement projects. The framework is also meant to serve as a clear and user-friendly reference for both external and internal audiences.

64. Within the Division of Financial and Administration Management, the Implementing Partner Management Service is constantly enhancing the framework in a participatory manner (including extensive consultations with partners). These enhancements result in improved policies, procedures and tools that include a systematic embedding of a risk-based management approach in the project partnership agreements cycle. Main features of the framework include:

- Selection and retention of partners for undertaking a project partnership agreement
- Design of project partnership agreements
- Implementation and monitoring of project partnership agreements
- Accountability and closure.

65. The Board positively noted the commissioning of external verification of project partnership agreements by the Implementing Partner Management Service. This process is part of the accountability and closure process. It is conducted to provide assurance over expenditures of individual project partnership agreements. Some 51 per cent of the project partnership agreements were subject to that external verification exercise, which covered a high proportion (72 per cent) of the total budget value and its related 2016 expenditures.

Table II.6
Project partnership agreements subject to the external verification process

Type of partner	*Total number of project partnership agreements*[a]	*Total budget value (millions of United States dollars)*	*Agreements subject to external verification*			
			Number	*Percentage of total number of agreements*	*Value (millions of United States dollars)*	*Percentage of total budget value*
National non-governmental organizations	774	431	384	50	317	74
International non-governmental organizations	560	651	282	50	437	67
Governments	202	179	111	55	157	88
Total	**1 536**	**1 261**	**777**	**51**	**912**	**72**

Source: UNHCR, Implementing Partner Management Service, report on 2016 project audit certification, 19 June 2017.

[a] Excluding agreements with United Nations agencies and the International Organization for Migration.

66. The Board also noted that most project partnership agreements obtained unqualified audit opinions and the number of modified audit opinions remained stable at a level of 12 per cent in 2016 (2015: also 12 per cent).

Table II.7
Project partnership agreements with modified audit opinion

Type of opinion	*2016*[a]		*2015*		*2014*	
	Number	*Percentage*	*Number*	*Percentage*	*Number*	*Percentage*
Unqualified	660	88	804	88	754	81
Modified	93	12	107	12	175	19

Source: UNHCR, Implementing Partner Management Service, report on 2016 project audit certification, 19 June 2017.

[a] Not fully complete, 24 audit certificates pending.

67. The Board further noted that the Implementing Partner Management Service intends to undertake an oversight exercise to review the quality of monitoring and verification reports in mid-2017. This exercise, complementary to the annual risk-based external verification, was intended to adequately monitor the funds entrusted to partners by UNHCR.

Key recommendations of the headquarters review relevant for implementing with partners

68. With regard to programme management, which includes partnerships as one way of implementing programmes, the headquarters review recommended that the programme management function be strengthened in all aspects of the programme cycle. All posts in other headquarters divisions related to programme management should be concentrated in this function.

69. For partnerships the review further recommended that a partnership service be established in the Executive Office under the authority of the Deputy High Commissioner. In addition, it recommended mapping, prioritizing and assigning

lead responsibility for all partnership relationships and then developing a robust concept of lead agency. However, the review also noted that the Implementing Partner Management Service needed to continue to play a role in financial and contractual management of implementing partnership agreements.

70. The Board took note of the recommendations of the headquarters review.

71. **The Board recommends that UNHCR pay close attention to the fact that high-quality reviews and verifications of partners' financial reports are essential to control the implementing partnership expenses when implementing key recommendations of the headquarters review.**

72. UNHCR recognizes the essential role played by high-quality reviews and verification of partners' financial reports to obtain assurance over expenses incurred by partners, but cautions against constraining the implementation of the headquarters review's recommendations this early in the process given the depth and scope of the recommendations.

73. The Board reiterates its recommendation. It does not impose constraints on the implementation of the headquarters review's recommendations, but underlines the requirements that have to be duly considered during the implementation process.

Alignment of monitoring plans and project partnership agreements

74. On the basis of its visits to country operations, the Board identified scope for improvement in the project partnership agreement structure. The monitoring arrangements in country operations are based on the signed project partnership agreements. These agreements consist of several key elements such as the agreement, a project description, a project budget, a project workplan, an indicative instalment plan, the project report formats and a partner personnel list, if applicable. In addition, country operations are required to establish a project performance monitoring plan for each project partnership agreement which details the content and timing of specific monitoring activities during the course of a year. The purpose of these plans is to facilitate monitoring based on the signed project partnership agreement. The internal monitoring plan is not an element of the agreement, although joint monitoring is expected to be agreed upon by partners and UNHCR.

75. The Board noted that some country operations repeated similar information in project partnership agreements and the monitoring plans for individual agreements. This information was not always consistent. For instance, reporting requirements for the partner were often part of the agreement and the project description and then again taken up in the monitoring plan. In addition, key project risks were described in the project descriptions of project partnership agreements and repeated in monitoring plans. Most of the monitoring plans reviewed used the optional section for describing key project risks. Country operations were not required to use all sections mentioned in the template for the project description. Some sections such as the section on "risk management" were designated as optional in the template, while other sections such as the section on "review and reporting" were designated as mandatory.

76. **The Board recommends that UNHCR review certain templates related to partnerships such as agreements, project descriptions, project workplans, monitoring plans and project risk registers/catalogues and assess if they might be enhanced to enable country operations to use them in a more consistent way and, where appropriate, with less duplication of information.**

77. UNHCR accepts that there is scope for simplifying and streamlining documents and templates related to partnerships. UNHCR has declared its intention

to implement the recommendation by simplifying partnership-related processes and procedures and avoiding the creation of additional complexity in them.

Identification of project risks at country operations level

78. Project monitoring should be undertaken in a manner that is commensurate with the level of complexity and risk of projects. During its field visits the Board noted various documents which documented project risks for individual project partnership agreements. (A project risk is the possibility of an event or circumstance occurring that can have an impact on the achievement of project objectives.) For instance, project risks for individual agreements were documented in the following documents: capacity assessments for partners, project descriptions annexed to project partnership agreements, monitoring plans, verification plans and risk registers for project partnership agreements. The Board also noted that the quality of the risk descriptions and their underlying risk assessments significantly varied among country operations and sometimes even among offices within an operation. In some operations the key project risks described in different documents for the same agreement were not entirely coherent and consistent. There was also little consistency among the different project partnership agreements within an operation.

79. The country operations visited by the Board randomly reviewed and updated their risk assessments when the need arose. However, most operations reviewed their risk assessments at least once a year. In addition, the Board found very little evidence that country operations sought to develop a joint understanding on the project risks related to a project partnership agreement with the respective partners. For instance, some project descriptions and monitoring plans for the same agreement significantly differed with regard to identified key project risks. Often partners were providing the initial draft for the project description while country operations were providing the draft for the monitoring plans.

80. The Board also noted that the Implementing Partner Management Service provided updated guidance to country operations on risk assessments in mid-May 2017. This guidance covers the preparation of both project partnership agreements and monitoring plans.

81. **The Board recommends that country operations ensure coherent risk assessments within operations and regularly review the quality of the risk assessments for individual project partnership agreements. The risk assessment template recently provided by the Implementing Partner Management Service could support such exercises.**

82. UNHCR concurs with the recommendation.

Monitoring of project partnership agreements at country operations level

83. It is a good practice to make the best use of monitoring funds by dedicating a higher proportion of resources to projects that are more critical to the organization's overall objectives and carry higher (programmatic or financial) risk. The framework for implementing with partners encourages country operations to adopt a risk-based monitoring approach to the verification and oversight of implemented projects, but the Board identified cases in which a risk-based monitoring approach was not adequately used in practice. In one of the countries visited, there was no risk-assessed overall monitoring/verification plan covering all project partnership agreements at operations level. In that operation, it was also unclear how the resources available for verification could possibly be matched to the level of work required.

84. The Board's findings often highlighted the need to take a more risk-focused monitoring approach and to ensure that monitoring visits to implementing partners

were planned systematically. In two country operations, for instance, the Board noted room for improvement with regard to monitoring partners managing warehouses. The Board also noted that the quality of the monitoring was generally better when the staff in charge was deployed in field offices and sub-offices and close to sites or settlements where project activities were implemented by partners.

85. The Board holds that in times of increased financial restrictions and underfunding of operations, a risk-based monitoring approach is reasonable, as it can reduce the cost and burden of verification while delivering stronger and more focused monitoring.

86. While further refinement to partner management processes and a higher quality of monitoring activities in the country operations is needed, the Board found that the assurances with respect to partner expenses were appropriate.

87. **Therefore, the Board reiterates its previous recommendation and encourages country operations to enhance the quality of their monitoring activities for project partnership agreements and pay greater attention to developing risk-based monitoring plans for individual agreements as well as overall monitoring plans covering all project partnership agreements in an operation. The Board also advised that these plans specifically consider the risk of fraud and enhance checks to ensure accountability for the use of assets.**

88. **The Board also recommends that management in country operations and the regional bureaux regularly review the quality of financial and performance monitoring for projects implemented with partners.**

89. UNHCR concurs with the recommendations.

Evaluation coverage of field programmes

90. In its previous report, the Board also noted that UNHCR did not systematically evaluate the impact of its interventions. In particular, UNHCR did not routinely evaluate programme activities. In response to that finding, UNHCR took various steps to strengthen and professionalize the evaluation function in UNHCR. For instance, a new evaluation policy was issued in mid-October 2016, followed by pilot guidance on evaluation and related quality assurance in November 2016 and discussion sessions with regional bureaux and divisions. In addition, a new head of the Evaluation Service was externally recruited and was expected to take the position in June 2017. However, significant elements for expanded evaluation coverage of field programmes such as workplans and secured funding were still lacking.

91. The Board reiterates its previous recommendation and the importance for UNHCR to take a structured approach in allocating sufficient resources to evaluations, thus covering more field programmes against agreed criteria.

Individual and family payments to beneficiaries

92. The Board notes that the level of cash-based interventions directly implemented by UNHCR further increased by $345.9 million to $527.8 million in 2016 (2015: $181.9 million). This represents a significant increase of 190.2 per cent. Table II.8 shows the types of payments made to beneficiaries. There have been significant increases in direct payments to beneficiaries for the purchase of items to meet basic needs such as housing and clothing and grants for repatriation to address immediate humanitarian needs upon arrival or return to the country of origin. Payments for medical treatment, reported as individual and family payment in 2015 ($32.8 million), are now displayed as contractual services (other services) to better reflect the indirect nature of the support.

Table II.8
Individual and family payments to beneficiaries
(Millions of United States dollars)

	2016	*2015 (reclassified)*
Basic needs	368	161
Repatriation assistance	146	16
Other payments	14	5
Total individual and family payments to beneficiaries	**528**	**182**

Source: UNHCR financial statements, 2016.

Lebanon one-off cash payment of seasonal support in December 2016

93. During its field visit to Lebanon the Board noted that cash-based assistance was a significant component of the delivery of support to beneficiaries. UNHCR has provided multipurpose cash assistance in Lebanon since August 2014. In addition to the regular multipurpose cash assistance, the programme includes cash assistance to vulnerable refugees during the winter months, referred to as seasonal support. According to the Lebanon standard operating procedures, the seasonal support is granted for the five winter months from November to March.

94. The Board noted that the seasonal support for the months from December 2016 to March 2017 was dispensed as a one-off payment in December 2016, resulting in a total cash disbursement of approximately $70 million. Since the standard operating procedures for cash-based interventions in Lebanon are not clear on whether the seasonal support is intended as a monthly distribution or a one-off payment, the Board requested documentation of the basis and rationale for the one-off payment.

95. The provided documentation made clear that the decision for granting a one-off payment for the seasonal support in Lebanon was made jointly by the Lebanon representation and the Regional Bureau for the Middle East and North Africa on the basis of known beneficiary preferences. With the one-off payment, UNHCR aimed to ensure that the most vulnerable families were fully prepared to overcome harsh winter conditions by giving them their cash assistance packages at the beginning of the season.

96. **The Board recommends that UNHCR review and, where appropriate, clarify the country standard operating procedures for cash-based interventions with regard to the disbursement term of seasonal support. It should be made clear that the support can be granted as monthly payments but that other payment terms such as one-off payments are also possible. In addition, the Board recommends that criteria be specified and documented by mentioning cases in which different terms of payment are preferable. These criteria might include consideration of different contexts country operations might face.**

97. **The Board also recommends that UNHCR establish clear procedures when country operations want to deviate from their standard operating procedures or have an interpretation that is not covered by the wording of the standard operating procedures. The procedures need to provide for delegation of authority and formal documentation specifications.**

98. UNHCR concurred with the recommendations. It has declared its intention to work with country operations to adjust the country standard operating procedures for cash-based interventions to cover the management of seasonal support, while

ensuring that country operations retain the flexibility required to address needs in a timely and efficient manner.

Separate disclosure of bank charges for cash-based interventions

99. Bank charges in connection with cash-based interventions represent service fees charged by the banks for their services in connection with the cash-based intervention programmes, for example, bank commissions, automated teller machine fees, upload fees and postal fees. The Board noted that an amount of approximately $1.0 million of bank charges had been recorded as expense under various cash-based intervention programme accounts and not on a "separate and appropriate" bank charge account as required by the administrative instruction on the financial procedures for cash-based interventions. The Board considers the separate disclosure of bank charges — for information and monitoring purposes — as important and highly welcomes the set-up of new separate bank charges accounts. Since 1 January 2017 UNHCR has used a new separate account for bank charges from cash-based interventions.

100. **The Board recommends that UNHCR ensure the correct use of the new bank charges accounts. The Board intends to follow up on the correct allocation and disclosure of cash-based intervention bank charges in the work of the next financial year.**

101. UNHCR concurred with the recommendation and confirmed that from 2017 new accounts on bank charges are being utilized. UNHCR further stated that the Division of Financial and Administrative Management would monitor the consistent recording of expenses.

Managing Systems, Resources and People upgrade project

102. UNHCR launched the Managing Systems, Resources and People (MSRP) upgrade project in 2013 with the objective of upgrading the organization's enterprise resource planning systems in the areas of budgeting, financial management and supply chain management. The project comprised of two phases. The first phase, relating to the conceptual design, started in late 2013 and was completed at the end of 2014. The major goal of that phase was to achieve concurrence among all stakeholders on the lifecycle objectives for the project and to develop the detailed business requirements models, functional prototyping and baseline architecture of the system. The second phase was the building and implementation phase that started in October 2015.

103. Previously, the Board noted its recommendation for the creation of a clear statement of benefits arising from the upgrade as outstanding. During the current year's work, the Board further noted that UNHCR prepared and endorsed a benefits realization plan for the MSRP upgrade project. Key drivers for the project were the obsolescence of the software and discontinued technical support for the MSRP 8.4 version. UNHCR identified benefits such as enhanced business processes, reduced manual inputs and duplication of effort and improved operational effectiveness. UNHCR continued refining the benefits and monitoring the performance measurements of the implemented project. UNHCR expects efficiency gains to be achieved in 2017 and to reach full potential during the period 2017-2018.

104. In 2016-2017, UNHCR conducted six migration simulations (four move-to-production simulations and two cutover dry runs). These exercises were performed to fine-tune the process and to make revisions prior to the actual go-live date and minimize risks prior to full production cutover. Nevertheless, UNHCR postponed the go-live date from 1 April to 1 May 2017 to ensure a proper closure of the month of April before going live. The majority of the business owners committee members

approved the new go-live date at the meeting held on 26 January 2017. The new date addressed concerns such as limiting the risk of a failure of payment of salaries and allowing more time for the completion of the Hyperion module. The new timeline set the end of the post-go-live phase at 31 July 2017. During the post post-go-live phase all project team members essential for the implementation of the update project remain available to solve upcoming issues immediately.

105. **The Board recommends that UNHCR document good practices and lessons learned from the MSRP upgrade project and, where appropriate, use them for other information technology projects. The Board expects this exercise to assist UNHCR in managing its projects in a more efficient way.**

106. UNHCR concurred with the recommendation. It will review the good practices and lessons learned set out in the MSRP upgrade project closure document and, where appropriate, use them for other information technology projects.

Procurement in country operations

107. During its field visits, the Board noted isolated aspects of procurement processes which could be further refined and possibilities to enhance the quality of procurements in the country operations. However, the Board also found that the assurances with respect to the procurement expenses reviewed were appropriate.

108. For instance, in regard to procurement planning processes, the Board noted that some operations did not fully complete or properly update their purchase and procurement plans for 2016. The purchase plan is an important instrument to implement programming and ensure that the needs of beneficiaries and operations are met. The purpose of the procurement plan is to ensure cost-effective procurements. The Board also found that country operations had to handle emergency situations and could only increase the staff to support supply processes with time lags. Once procurement staffing levels had increased the country operations also started to enhance their procurement planning process or intended to do so.

109. The Board also noted some solicitation processes that could have been handled better. In particular, material decisions and assessments during the solicitation process are expected to be adequately and coherently documented.

110. The Board also noted that, in line with the applicable rules and regulations, certain low-value goods and services may be purchased under a simplified process. This applies to goods and services with a value of up to $4,000 within a period of three months. These low-value goods and services are referred to as "non-purchase order purchases".

111. In two country operations these non-purchase order purchases were made without the involvement of supply units. In 2016, MSRP did not facilitate the tracking of such purchases conducted in field offices and sub-offices. The supply units needed to manually compile data on those purchases in 2016. The Board's analysis revealed that non-purchase order purchases made up more than 38 per cent of all procurement cases, although their annual contractual value was below 3 per cent of the total contractual values for all procurement cases. Country operations established a requirement that prices be compared before non-purchase order purchases are executed in order to ensure value for money.

112. The Board holds that monitoring non-purchase order purchases on a regular basis will ensure compliance with the $4,000 threshold and prevent such purchases from being used to circumvent applicable framework agreements.

113. **The Board recommends that country operations monitor non-purchase order purchases on a regular basis and assess whether further efficiency gains could be realized by compiling individual non-purchase order purchases into framework agreements. The Board also advises that headquarters divisions liaise with country operations to explore how the monitoring and oversight of non-purchase order purchases could be facilitated.**

114. UNHCR concurs with the recommendation.

C. Disclosures by management

1. Write-off of losses of cash, receivables and property

115. UNHCR reported that it had formally written off assets of $21.5 million (2015: $5.6 million). That balance included $20.5 million in donation reductions from three governmental donors, as disclosed in note 10 to the financial statements.

2. Ex gratia payments

116. UNHCR reported that it had made two ex gratia payments totalling $18,445 in 2016 (2015: four totalling $65,627), as authorized by the High Commissioner. That corresponds with the Board's review of the financial and management records of the organization, which have not identified any other such payments during the 2016 financial year.

3. Cases of fraud and presumptive fraud

117. In accordance with the International Standards on Auditing (Standard 240), the Board plans its audits of the financial statements so that it has a reasonable expectation of identifying material misstatements and irregularities (including those resulting from fraud). The Board's work, however, should not be relied upon to identify all misstatements or irregularities. The primary responsibility for preventing and detecting fraud remains with management.

118. During the audit, the Board made enquiries of management regarding their oversight responsibility for assessing the risks of material fraud and the processes in place for identifying and responding to the risks of fraud, including any specific risks identified by management or brought to their attention. The Board also enquired as to whether management had knowledge of any actual, suspected or alleged fraud, including enquiries by OIOS.

119. In 2016, the Board did not identify any cases of fraud, other than those cases of fraud and presumptive fraud that had been reported and disclosed by management. UNHCR reported 24 cases of proven financial fraud during 2016, resulting in financial losses amounting to $140,000 (2015: 12 cases accounting for losses of $200,000). Fifteen of the frauds were committed by staff members and four by members of affiliated workforces. Five cases concerned partners. The cases involved embezzlement, entitlement/benefit fraud, misuse of assets, registration fraud, other fraud and theft.

D. Acknowledgement

120. The Board wishes to express its appreciation for the cooperation and assistance extended to its staff by the High Commissioner, the Deputy and Assistant High Commissioners, the Controller and members of their staffs.

(*Signed*) Shashi Kant **Sharma**
Comptroller and Auditor General of India
Chair of the Board of Auditors

(*Signed*) Kay **Scheller**
President of the German Federal Court of Auditors
(Lead Auditor)

(*Signed*) Mussa Juma **Assad**
Controller and Auditor General of the United Republic of Tanzania

Annex

Status of implementation of recommendations up to the year ended 31 December 2015

Report reference	*Summary of recommendation*	*Administration comments on status, April 2017*	*Board comments on status, April 2017*	*Implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*
A/71/5/Add.6, chap. II, para. 14	The Board recommends that UNHCR develop a set of processes, tools and reports that can be applied at the field level to enhance the financial management of programme budgets and expenditure. This should include stronger links between finance and programme staff in the field through joint analysis and review processes.	The administrative/finance and programme roles in the field are being reviewed with a view to reinforcing collaboration in the analysis and review of budgets and expenditure and placing a greater emphasis on the financial management responsibilities and competencies along the programme management cycle. The upgrade of the Office's Managing Systems, Resources and People (MSRP) platform will allow for better tracking of the use of resources through new capabilities, ranging from system controls to features that allow for the analysis of budget changes.	The Board noted two main initiatives UNHCR intended to implement in response to the review conducted in the field. The initiatives aim at: • Enhancing the financial management responsibilities and competencies of programme staff • Developing tools which support lessons learned The current MSRP platform (version 8.4) provides information on budgeted and spent amounts which enable UNHCR to analyse budget changes. The new MRSP version 9.2 will provide this information in a more detailed way. Thus, the upgrade is expected to be better equipped to facilitate an analysis of budget changes. The Board considers this recommendation to be under implementation.		X		
A/71/5/Add.6, chap. II, para. 24	The Board recommends that UNHCR ensure that the global fleet management strategy is communicated consistently across country and regional offices, and that checks are carried out to ensure that its application across all offices represents best value.	The global fleet management strategy has been widely communicated throughout the organization, through broadcast email and availability of the UNHCR fleet handbook on the intranet. The handbook describes the fleet strategy and contains detailed guidance on the practical implementation of fleet management in the field. In addition, UNHCR has launched a comprehensive fleet management training programme containing 19 modules, describing the fleet	The Board noted that actions for consistent communication of the global fleet management strategy were taken, such as the issuance of quarterly newsletters and monthly reports on the strategy. Meanwhile, a very high percentage of the operations took part in the programme. A roll-out plan for global fleet management training is available and under implementation. This will further enhance the programme. The Board considers this part of the recommendation as implemented. With regard to the second part of the		X		

Report reference	*Summary of recommendation*	*Administration comments on status, April 2017*	*Board comments on status, April 2017*	*Implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*
		management strategy and practical fleet management. The training programme has, so far, been rolled out to 10 countries and this effort will continue in 2017 and subsequent years. Briefing sessions on the strategy will be conducted for the eight largest operations, emphasizing the benefits derived by both the organization as a whole and the specific operation from the application of GFM strategy. This will be done in conjunction with the introduction of the maintenance and repair initiative, which is scheduled for the first quarter of 2017. The start date had to be adjusted since the deadline for the request for proposals related to the maintenance and repair initiative has been extended. UNHCR plans to continue to conduct annual evaluations of global fleet management through an external service provider and communicate with key stakeholders on how the value for money objective can best be captured as part of this evaluation.	recommendation — whether checks are carried out to ensure that the application of the strategy across all offices provides best value — the Board was informed that a draft of a new analytical report covering 2015 and 2016 was currently under review and expected to be finalized soon. In addition, UNHCR was considering an evaluation of the strategy to be conducted in the second half of 2017. This part of the recommendation is considered as being under implementation.				
A/71/5/Add.6, chap. II, para. 39	The Board recommends that UNHCR review the arrangements in place for both the steering and business owners committees to ensure that: (a) they meet at key stages during the project and when significant changes are being considered; (b) more formal documentation	UNHCR has a formal review process that is conducted at key stages during the project life cycle. This process involves oversight by key stakeholders, as well as by the business owners committee, the steering committee and the information technology governance board. These bodies are tasked to review and document the impact of any significant changes before submission of change proposals to the annual	The Board noted that the responsible committees were in place. Meetings were held monthly or at key stages on demand. Additionally, the Managing Systems, Resources and People upgrade project produced weekly and monthly status reports. The Board considers the recommendation as implemented.	X			

Report reference	Summary of recommendation	Administration comments on status, April 2017	Board comments on status, April 2017	Implemented	Under implementation	Not implemented	Overtaken by events
	is maintained to support the way in which key risks are being controlled; and (c) they meet when they provide approval for budget changes.	programme review or the budget committee. The project risks are continuously monitored and are responded to accordingly.					
A/71/5/Add.6, chap. II, para. 44	The Board recommends that UNHCR use the performance measures and key benefits to develop a benefits realization plan, reporting progress against each measure to senior management on a regular basis; furthermore, the plans should have the formal approval of the steering committee.	The benefits realization plan for the MSRP upgrade project has been prepared and endorsed by the steering committee and the project sponsor. The benefits will be derived, over a multi-year iterative process, from refined, redesigned and improved business processes, reduced manual and duplication efforts, improved operational effectiveness, adoption of industry best practices and standards, better accountability, greater transparency and greater user satisfaction. UNHCR continues to refine the benefits and to monitor the performance measurements of the project. It should be noted that the obsolescence of the system and the discontinuation of the technical support were the main driving factors for the initiation of the MSRP upgrade project. Nevertheless, as a result of the upgrade, UNHCR will also obtain efficiency gains which are expected to become visible in 2017 and attain full impact during the period 2017-2018.	The Board noted that the Managing Systems, Resources and People upgrade project had generated a "strategic key priorities and project benefit plan". The decision to migrate the MSRP platform from version 8.4 to 9.2 was primarily driven by technical reasons such as the termination of support for version 8.4 by Oracle. The project closure report, to be issued approximately three months after go-live, will estimate the realized and future benefits. The main benefits are long-term benefits that UNHCR will realize in the next three to five years. Therefore, the Board decided to designate this recommendation as implemented.	X			
A/71/5/Add.6, chap. II, para. 55	The Board recommends that risk registers be reviewed on at least a quarterly basis as a standing item at senior	UNHCR has scheduled a review of the enterprise risk management policy and implementation procedures in 2017. The review will be informed by a management	The Board noted the initiatives initiated by UNHCR and in particular the ongoing review of the enterprise risk management policy and implementation procedures. The		X		

Report reference	*Summary of recommendation*	*Administration comments on status, April 2017*	*Board comments on status, April 2017*	*Implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*
	management meetings. Country office representatives should take a cyclical approach to scrutinizing risks and their mitigation to ensure that the risk process is fully embedded in their local business processes and utilized in the development of country office plans.	advisory from the Internal Audit Division of the Office of Internal Oversight Services (OIOS) as requested by the Deputy High Commissioner. The need for more frequent formal risk reviews during the year will be considered as part of this framework review. Any future changes will continue to reinforce context-specific risk management practices focusing on mitigation of local priority risks. From the second quarter of 2016, OIOS helped to collect preliminary information on the maturity of the risk management practices, providing a clearer picture of how systematic risk management is evolving in the field operations. In line with the adopted light-touch approach, guidance on the regular risk management activities continues to be part of the planning, implementation, monitoring and reporting requirements, as applicable. Formal guidance on risk reviews and risk management continues to reinforce the main requirements, as well as call for risk-informed approaches during annual planning and midyear review. Compliance with the current mandatory requirements is monitored by The Enterprise Risk Management Unit, in close collaboration with the regional bureaux. Accordingly, the instructions on detailed planning and budgeting for 2017 included the requirements for the mandatory annual risk review, reinforcing the importance of risk-informed planning and implementation for	Board also noted the alignment of the Office's time frame to the upcoming revision of the ISO 31000 standard, while OIOS is expected to finish its review as scheduled in the course of 2017. Thus, the recommendation is under implementation until the results of the reviews and the actions taken to address them are known and submitted to the Board for assessment.				

Report reference	Summary of recommendation	Administration comments on status, April 2017	Board comments on status, April 2017	Implemented	Under implementation	Not implemented	Overtaken by events
		2017 and focusing on local processes and associated priority risks. The mandatory review has been completed and the Enterprise Risk Management Unit is analysing the results and providing feedback to the field operations and bureaux.					
A/71/5/Add.6, chap. II, para. 56	The Board recommends that greater attention be given to the status and quality of mitigating actions in country office risk registers to ensure that they are realistic, complete and updated. The Board also recommends that the bureaux develop their review processes to provide more regular and formal feedback on the quality of mitigating actions and utilize them as part of country plan considerations.	The year 2015 has been fully dedicated to the roll-out of the enterprise risk management framework with greater emphasis on compliance aspects. This approach yielded 100 per cent completion of the first organization-wide risk assessment. After the first risk assessment, central monitoring of the corporate risk register indeed showed uneven quality of risk information (such as depth of risk analysis, relevance/adequacy of risk treatments) in the field operations. From the fourth quarter of 2015 onwards, through the follow-up on the annual risk reviews, the Office is gradually moving towards quality assurance of risk management information contained in the register. The Enterprise Risk Management Unit held consultations with all five regional bureaux during September-October 2016, briefing them on the status of risk management in their respective regions and providing qualitative feedback on the state of risk registers from a technical compliance point of view. Now that enterprise risk management has reached a certain level of maturity, bureaux have been asked	The Board has reviewed a sample of the briefings provided to the bureaux on the status of risk management in their respective regions. The Board confirms that it provided qualitative feedback on the state of risk registers from a technical compliance point of view. The Board also noted that guidance on the mandatory annual risk review was issued as part of instructions on detailed planning and budgeting for 2017 and that additional business intelligence capabilities were under development to support the quality control work of the regional bureaux. The recommendation is considered under implementation until such time as the Board can assess how the bureaux use the tools provided by the Enterprise Risk Management Unit, for example during the reviews of country submissions.		X		

Report reference	*Summary of recommendation*	*Administration comments on status, April 2017*	*Board comments on status, April 2017*	*Implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*
		to exert more "quality control" over field registers and use the risk information during major milestones throughout the operations management cycle. Guidance on the mandatory annual risk review issued as part of instructions on detailed planning and budgeting for 2017 reinforces the requirement of focusing on mitigation measures for priority risks. Additional business intelligence capabilities are also being developed to better support the work of the regional bureaux in this area. This will allow better analysis of risk information, notably for the priority risks. Starting in 2017, internal audit will systematically include risk management assurance in the scope of its audit work.					
A/71/5/Add.6, chap. II, para. 57	The Board recommends that UNHCR work further towards the full integration of the corporate and strategic risk processes and embed the information flows more formally within the decision-making processes.	It should be recognized that by its nature, the strategic risk register will only partly align with the corporate risk register. Although UNHCR considers the corporate and strategic risk registers as reasonably aligned, a full integration of both registers is not expected beyond reasonable convergence. In addition to risks aligned with the emerging risk trends in the field, the strategic risk register also contains organization-wide risks of a global nature. The strategic risk register has been developed in parallel with the ongoing risk assessments and reviews taking place in the field. Comparison of	The Board noted the process according to which information flowed from a review of the corporate risk register into the decision-making processes for reviewing the strategic risk register. This process was documented for the 2016 review of the strategic risk register. Therefore, the Board considers this recommendation as implemented.	X			

Report reference	Summary of recommendation	Administration comments on status, April 2017	Board comments on status, April 2017	Implemented	Under implementation	Not implemented	Overtaken by events
		field risk trends published through the conference room paper EC/67/SC/CRP.22 and the strategic risk register indicate that key risks (emergency response, staff safety and security, human resources, to mention some) dominant in the corporate risk register are reflected as strategic risks. During the August 2016 review of the strategic risk register, the senior executive team added two new risks (one on cash-based interventions and another on registration, statistics and operational data management), reflecting the importance of these areas for field operations individually and for the organization centrally. The Enterprise Risk Management Unit will continue to conduct trend analysis of the corporate risk register and to ensure reasonable thematic alignment between the two risk registers. Monitoring of risk trends in the corporate risk register continues to inform and shape the strategic risk register and associated decision-making.				
A/71/5/Add.6, chap. II, para. 63	The Board recommends that, following the results of a verification exercise, UNHCR headquarters and regional teams assess the impact, if any, on resourcing requirements in the relevant operation and for other operations in the region, to assess where the extra	A working group comprising of staff from specific divisions and bureaux will be established to systematically review the results of the verifications of the population figures at each stage of the planning cycle and to ensure that adjustments in resource requirements are made, as necessary. This will commence with the 2016 midyear review process and continue with the pre-detailed planning stage for the 2017 budget.	The Board noted the refined verification process and the progress made by using the results of these exercises. The recommendation is under implementation.		X		

Report reference	*Summary of recommendation*	*Administration comments on status, April 2017*	*Board comments on status, April 2017*	*Implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*
	resources should be deployed	Consideration will be given to developing a mechanism to undertake periodic consultation with bureaux on the implications of changes in the size of population following verification exercises both during planning year and implementation period. Reporting templates for the verification exercises have been developed and will be rolled out to the network of senior regional registration officers after the initial mapping of 2017 verification exercises are completed. UNHCR continues to strengthen relationships with regional registration networks as well as the relevant bureaux, particularly the Regional Bureau for Africa, in enhancing communication on planning and resourcing for verification exercises.					
A/71/5/Add.6, chap. II, para. 65	The Board recommends that UNHCR headquarters develop a formal reporting mechanism on the frequency and comprehensiveness of verification exercises, enabling it to obtain assurance as to the accuracy of the data regarding its existing population of concern, and provide a stronger link between the results and the deployment of resources.	UNHCR is establishing a formal registration reporting mechanism and has developed various templates to facilitate the monitoring of the planning, implementation and reporting of the verification exercise, including information on statistical and protection outcomes of the exercise measured against baseline population figures, budget and resource expenditure and protection objectives. These templates are now subject to review and the feedback received from various stakeholders will be used to refine their final format. During the first quarter of 2017, the Division of Programme Support and Management will	The Board noted the refined verification process and the progress made by using the results of these exercises. The recommendation is under implementation.		X		

Report reference	Summary of recommendation	Administration comments on status, April 2017	Board comments on status, April 2017	Implemented	Under implementation	Not implemented	Overtaken by events
		release the finalized design of the reporting templates and share relevant verification exercise reports in SharePoint. During the second quarter of 2017, the verification exercise templates will start to be used for the planned activities of 2017 and will be uploaded in SharePoint, enabling individual analysis and consolidation. A repository and calendar will be created in SharePoint where all verification exercise planning, implementation and reporting documents will be stored to facilitate global tracking of verification and other registration activities over time. By August 2017, UNHCR will do a global consolidation and analysis of 2017 verification exercise results for the purpose of analysing the protection and financial outcomes of verification exercises. Verification activities are tentatively scheduled in Niger, Burkina Faso, Mauritania, Rwanda, South Sudan, Nepal and Ukraine. The majority of the verification exercises are also likely to be accompanied by a biometric identity management system (BIMS) enrolment activity. UNHCR will ensure compliance with the reporting requirements through its network of regional registration officers and with support from regional representation. The results of the reporting mechanism will be shared with all relevant					

Report reference	*Summary of recommendation*	*Administration comments on status, April 2017*	*Board comments on status, April 2017*	*Implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*
		stakeholders, to provide visibility on progress and outcomes. A detailed report on the verification exercise including the results of the 2016 verification exercise and its outcome will be submitted to the auditors.					
A/71/5/Add.6, chap. II, para. 73	The Board recommends that UNHCR headquarters, as a matter of urgency, implement a benefits realization process for BIMS and use it to determine whether the roll-out of BIMS should continue, and provide an evidence base to support management decisions on future investment.	A benefits realization matrix is being developed for BIMS in consultation with stakeholders. Key steps in the process will consist of: (a) deciding on the indicators; (b) incorporating the indicators into the global planning matrix, for ease of document management; and (c) having a differentiation between "expected" and "realized" for each indicator, with another column for narrative and date of most recent follow-up. The benefits realization indicators that focus on the level of BIMS process integration have been developed and included into the global planning matrix (for example, 60 per cent of operations are using BIMS to verify identity before food distributions). An assessment is planned as a trial with a small number of operations to understand whether the current indicators are fit for purpose or should be amended. The final list of indicators, once agreed upon consultation with stakeholders and testing, will be fully implemented into the global planning matrix through individual operational assessments led by the Division of Programme Support and Management in collaboration with the focal points from each operation.	The Board noted that one of the main benefits of BIMS for UNHCR was to avoid multiple registrations of refugees. Multiple registrations could lead to benefits to which refugees are not entitled. UNHCR also expects other benefits such as internal and external fraud prevention and better understanding of onward movements of refugees. By strengthening the management of identities, UNHCR is in a better position to ensure that services and protection are targeted efficiently. The Board needs to consider the work in progress. The status of the recommendation is under implementation.		X		

Report reference	*Summary of recommendation*	*Administration comments on status, April 2017*	*Board comments on status, April 2017*	*Implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*
		Benefits themselves will not be measured in a yes/no or high/medium/low format, but instead will be evidenced through examples presented in a narrative format to be updated during the operational review meetings. The BIMS project team has been integrated into the Identity Management and Registration Section within the Division of Programme Support and Management. This new structure will ensure that BIMS guidance and oversight is fully integrated into registration guidance and other guidance for operations both during and after the initial BIMS deployment. Additionally, the Identity Management and Registration Section and the Division of Information Systems and Telecommunications are working on establishing automated queries and reporting tools for BIMS. These will identify data to measure the benefits delivered by BIMS in the context of multiple registration mitigation; internal and external fraud prevention; and the tracking and better understanding of onward movements identified by BIMS.				
A/71/5/Add.6, chap. II, para. 81	The Board recommends that UNHCR monitor the extent to which budgets reflect the needs as assessed for future plans. In doing so, it needs to provide greater challenge on discrepancies, to ensure that figures remain	The review of needs assessment for future plans and the extent to which these are reflected in budget figures is already a key element of the annual programme review process where figures submitted are challenged. To further strengthen this area, measures will be implemented to provide additional guidance to field	The Board recognizes the progress being made. Additional guidance was provided to the field to address issues as pointed out in the recommendation, such as a generally expected correlation between the increase/decrease in the number of persons and an increased/decreased budget or otherwise a strong justification of a non-correlation in the submission.		X		

Report reference	*Summary of recommendation*	*Administration comments on status, April 2017*	*Board comments on status, April 2017*	*Implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*
	credible.	operations regarding the elements to be included in the needs assessment, i.e. implementation capability and operational context, including the circumstances in which activities are to be carried out by other partners, as well as providing specific training for conducting this exercise. The steps taken in population verification exercises, will also complement the measures hereby described and contribute to the overall progress on this recommendation. Measures will be implemented to reinforce guidance relative to verification exercises and to reinforce the need to budget for verification exercises. Further actions are described in the replies to the recommendations contained in A/70/5/Add.6, chap. II, paras. 55 and 59 (see below). Although the detailed planning instructions for 2018-2019 issued in December 2016 reflect this reinforced guidance, a separate document will be issued in the first quarter of 2017 in order to provide added emphasis.	Planning instructions on next steps for the annual programme review were made available to the Board. The review process is ongoing and the bureau is expected to finalize the process in May 2017. As this process is ongoing, the Board intends to review elements such as the use of the operational guidance by the field and the coverage of these aspects in the annual programme review process in the subsequent audit. The recommendation is considered to be under implementation.				
A/71/5/Add.6, chap. II, para. 85	The Board recommends that UNHCR review the role of the Bureaux, to ensure that its activities are aligned with and complement other headquarters efforts and that it sufficiently supports countries in applying more formal and evidenced aspects of headquarters scrutiny to	The revision of the internal resource allocation framework includes modifications of the annual planning, review and approval processes to achieve improvements in the quality of the submissions and increased efficiency of the review and approval processes. The revision will further clarify the roles of various headquarters entities involved in these processes.	The Board recognizes the progress made with the development of the draft policy and procedures for resource planning and management. Certain of the elements included in the draft, for example the front-loading of the strategic discussions between the bureaux, the annual programme review secretariat and the senior executive team prior to the issuance of the High Commissioner's "decisions on 2018-2019 planning" on 13 March 2017, were already		X		

Report reference	*Summary of recommendation*	*Administration comments on status, April 2017*	*Board comments on status, April 2017*	*Implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*
	the plans prior to submission.	including the bureaux. In addition, UNHCR launched a review at the end of 2016 which includes an analysis of relationship of bureaux with other headquarters entities.	implemented for the 2018-2019 planning cycle. However, the finalization of the new policy is still pending. In addition, the Board noted recommendations of the headquarters review which relate to strengthening the roles and capacities of the bureaux. This recommendation is under implementation.				
A/71/5/Add.6, chap. II, para. 88	The Board recommends that UNHCR: (a) assess whether the level of scrutiny applied during its annual budget process is at an appropriate level, and in doing so determine the costs involved at all stages of preparation; and (b) assess the merits of a multi-year planning approach to resource allocation decisions, as well as other models such as targeted "deep dives" for the highest-risk operations, and assess where these approaches should be rolled out further and where a lighter touch can be applied.	The revision of the Office's resource allocation framework, scheduled to be completed in the first quarter of 2017, will include modifications to the annual planning, review and approval processes to improve the quality of submissions and the effectiveness and efficiency of the review and approval processes. Some components of the revised resource allocation framework will be incorporated in the 2017 annual programme review exercise. The multi-year, multipartner approach has been endorsed by the senior executive team and is now being rolled out to 23 operations. Initially this consists of a multi-year, multipartner protection and solutions strategy to be submitted offline which will then be reviewed and endorsed by the senior executive team. A broader implementation of the multi-year approach, including budgeting, resource mobilization, partnerships and systems/tools is currently under review. In terms of a matrix of operations that show a likelihood of success for durable	The Board recognizes the progress made with the development of the draft policy and procedures for resource planning and management and the changes to be introduced to the resource allocation framework in UNHCR. Pending finalization of the new resource planning and management policy, certain of the elements included therein, for example the front-loading of the strategic discussions between the bureaux, the annual programme review secretariat and the senior executive team prior to the issuance of the High Commissioner's "decisions on 2018-2019 planning" on 13 March 2017 were already implemented for the 2018-2019 planning cycle. Further changes implemented include a lesser involvement of the Division of Programme Support and Management and the Division of Financial and Administrative Management; for example, the technical consultations are at the discretion of the bureaux. The Board also acknowledges that the new resource allocation framework process shifts the responsibilities from the two divisions mentioned above to the bureaux. Therefore, the		X		

Report reference	*Summary of recommendation*	*Administration comments on status, April 2017*	*Board comments on status, April 2017*	*Implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*
		solutions, the criteria for selecting the operations for the multi-year, multipartner approach take this into account, focusing in particular on those following the comprehensive refugee response framework approach and/or part of the World Bank's International Development Association 18 window. Moreover, the senior executive team retains a modest allocation to distribute during the review of the multi-year, multipartner strategies towards operations that indicate a likelihood of durable solutions success.	Board considers part (a) of this recommendation as overtaken by events. Regarding part (b) of the recommendation, the Board confirms that the multi-year approach of UNHCR to planning and resource allocation is included in the draft policy for resource planning and management and that additional operations have been selected for multi-year planning. The Board also confirms that UNHCR developed guidance for operations adopting a multi-year, multi-partner protection and solutions strategy. This strategy should provide for the overall evolution of resource management, including changes in specific staff profiles, field structures and resources needed as a consequence of adopting the strategic objectives. Therefore, the Board recognizes the Office's progress in terms of the assessments required by the recommendation and acknowledges the decision to proceed with a multi-year planning approach, where feasible. However, full implementation requires the finalization of the draft policy for resource planning and management. Thus, part (b) of the recommendation is still under implementation.				
A/71/5/Add.6, chap. II, para. 91	The Board recommends that UNHCR review how it can simplify country operation plans, for example, by reporting only changes compared with the previous year, key areas of spending, etc., and through better use	The Office is undertaking a comprehensive review of its results-based management framework to simplify and streamline the planning and budgeting processes and associated implementation, monitoring and reporting requirements. The simplification of the country operations plans will be addressed	The Board noted the Office's comprehensive review of its results-based management framework, which will be conducted in three phases. The inception phase of this review is expected to be completed during summer 2017. Phase 2 will revise the results framework's content and business processes, while phase 3 aims at evaluating and selecting				X

Report reference	*Summary of recommendation*	*Administration comments on status, April 2017*	*Board comments on status, April 2017*	*Implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*
	of graphical representation, focusing on outcomes and achievements against targets. UNHCR needs to better determine which operational objectives, outputs and indicators to include, using only those that are most pertinent.	as part of this exercise, on a longer term. On a medium term, in respect of the 2018-2019 biennium, UNHCR is considering introducing transitional requirements for preparing the operation plans, within the technical limitations allowed by its current planning platform. For this purpose, the narrative requirements for the operations plans have been reduced by more than 35 per cent for 2018 following extensive consultations, primarily by eliminating duplications and consolidating certain fields. The trend of simplified results chains continues as operations are selecting less objectives, outputs and indicators per operation each year. From 2013 to 2017, in spite of a significant increase in budgets, the total number of objectives selected globally has decreased by 13 per cent, outputs by 10 per cent, impact indicators by 22 per cent and performance indicators by 30 per cent.	results-based management tools. Thus, phase 3 of the ongoing revision might result in replacing the current results-based management and planning tool. The Board also recognizes that UNHCR eliminated duplications and consolidated certain fields for preparing the operation plans as a rapid result to simplify country operation plans within the technical limitations allowed by its current planning platform. Thus, this recommendation is partly overtaken by events and the Board decided to close it.				
A/71/5/Add.6, chap. II, para. 93	The Board recommends that UNHCR systematically allocate sufficient resources to expand its evaluation coverage of field programmes against agreed risk criteria so as to improve the evidence base for resource allocation.	The new evaluation policy, issued in October 2016, affirms commitment to increasing the level of financial resources for evaluations. In addition, systematic tracking of expenditure on evaluations across the organization (including for decentralized evaluation) is pursued as of 1 January 2017. UNHCR is also reviewing the feasibility to build-in a more risk-based approach for the selection of evaluation topics, including for field/country	The Board confirms that a new Evaluation Policy has been issued and progress was made in establishing the Office's evaluation services; e.g. an externally recruited head of this service is expected to take his/her post in June 2017. However, significant elements of expanded evaluation coverage of field programmes such as work plans and secured funding are still missing. This recommendation is under implementation.		X		

Report reference	*Summary of recommendation*	*Administration comments on status, April 2017*	*Board comments on status, April 2017*	*Implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*
		operations.					
A/71/5/Add.6, chap. II, para. 98	The Board recommends that UNHCR and country operations improve the design of efficiency activities, such as restructuring, to enable their impact to be measured and to allow for better decision-making for resource allocation.	Annual planning, budgeting and reporting instructions for 2017 will be updated to include requirements to highlight activities where planned efficiencies have resulted in savings or to explain why this has not been possible. In addition, the multi-year planning framework which is being elaborated should support the analysis of efficiency activities, as this type of analysis often falls beyond the scope of reviews undertaken in the current one year planning cycle. UNHCR has also planned to conduct several structural and staffing reviews in the field to determine optimal organizational design, workforce requirement and improve efficiency of the respective country teams. Two countries in Asia are currently being reviewed to right-size the staffing levels in accordance with reduced workload. A comparative desk review is ongoing on the structures of five major operations in Africa. The objective is to assess structural consistency in terms of matching with operational goals, presence of partners, division of labour between UNHCR and partners and concentrations of populations of concern.	The Board noted that UNHCR entrusted its directors and representatives with ensuring that all operations are carried out in an effective and efficient manner (the Office's instructions for reporting on 2016, implementation in 2017 and planning for 2018-2019). In March 2017, UNHCR also summarized its progress made in implementing the Office's commitments under the "grand bargain". The Board recognizes that some of these commitments made by UNHCR at the World Humanitarian Summit aim at promoting efficiency. However, this recommendation also requires country operations to enhance the design of efficiency activities, such as by restructuring, to enable their impact to be measured and to allow for better decision-making for resource allocation. The results of the ongoing structural and staffing reviews have not yet been shared. The Board considers this recommendation to be under implementation.		X		
A/71/5/Add.6, chap. II, para. 102	The Board recommends that greater scrutiny be applied to programme support costs both at headquarters and within operations. UNHCR should review	Support costs are regularly and routinely reviewed when country plans and budgets are submitted on an annual basis to Headquarters. The revision of the resource allocation framework currently underway contains planning	The Board was provided with the draft policy and procedures for resource planning and management. The Board noted the progress being made. Among other contents, the policy will also embed the new multi-year protection and solutions		X		

Report reference	*Summary of recommendation*	*Administration comments on status, April 2017*	*Board comments on status, April 2017*	*Implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*
	operations where support costs cannot be reasonably justified.	parameters (including for programme support costs), which will be applied in the annual planning and scrutinized in the review processes.	strategy as well as the new reallocation framework concept. The policy and its guidance explicitly address the staff/administration, staff/operating cost ratios as key elements to be checked and explained in the course of the submission of the operations plan. As the policy has not yet been approved by the High Commissioner, the Board considers the recommendation to be under implementation and intends to follow it up in the next year's review.				
A/71/5/Add.6, chap. II, para. 104	The Board recommends that UNHCR headquarters identify which operations have reduced their costs and/or per capita spending, and provide a platform for those operations to share their experience.	This recommendation will be addressed by the actions mentioned in response to the recommendation contained in A/71/5/Add.6, chap. II, para. 106 (see below) with respect to the value for money review.	The Board noted the continuous progress being made by, inter alia, the establishment of a working group that is to develop guidance to the field and headquarters with regard to cost-effectiveness and value for money practices. The Board positively noted the ongoing review of value for money practices in other organizations. Considering this ongoing review and the efforts of the working group, the Board expects that UNHCR can develop guidance that enables operations to systematically report on value for money practices. The Board encourages UNHCR to ensure that the guidance would not only cover cost drivers and their impact. The guidance should also enhance the analysis and communication of achieved efficiencies. In particular, the guidance should elaborate potential success factors. The recommendation is considered to be under implementation.		X		
A/71/5/Add.6, chap. II, para. 106	The Board recommends that UNHCR further	UNHCR will consider the specifics of this recommendation as part of	The Board noted the continuous progress being made by, inter alia, the		X		

Report reference	*Summary of recommendation*	*Administration comments on status, April 2017*	*Board comments on status, April 2017*	*Implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*
	scrutinize the cost drivers and value for money within items of significant expenditure. In doing so, it should assess the opportunities for efficiencies to be found in the way they are delivered.	the actions taken to reply to the recommendation of the Board contained in A/70/5/Add.6, chap. II, para. 68 (see below), to review the scrutiny process for the cost-effectiveness of its proposed interventions. A working group, composed of representatives from relevant divisions was established to review existing processes and guidance for the analysis of cost-effectiveness, both within field operations at the time of projects development and related budgetary requirements, and at headquarters to support review processes. The working group will develop a guidance framework to assist operations in the review process and to obtain a consistent analysis of cost-effectiveness across the organization. A review of practices on value for money in other organizations is ongoing and guidance for operations to systematically be able to report on value for money practices is being drafted. As part of this work, UNHCR will also address the need to develop guidance for identification and analysis of cost drivers and their impact on the value for money aspects.	establishment of a working group that is to develop guidance to the field and headquarters with regard to cost-effectiveness and value for money practices. The Board positively noted the ongoing review of value for money practices in other organizations. Considering this ongoing review and the efforts of the working group, the Board expects that UNHCR can develop guidance that enables operations to systematically report on value for money practices. The Board encourages UNHCR to ensure that the guidance would not only cover cost drivers and their impact. The guidance should also enhance the analysis and communication of achieved efficiencies. In particular, the guidance should elaborate potential success factors. The recommendation is considered to be under implementation.				
A/71/5/Add.6, chap. II, para. 111	The Board recommends that UNHCR identify areas of good practice in challenging the cost base of projects delivered by implementing partners, identify where	A mechanism for identifying, gathering and sharing good practices will be developed in consultation with bureaux and country offices. It is intended to pilot such mechanism in several countries before implementing it throughout the organization.	UNHCR conducted a survey on partner personnel cost and an analysis of the current practices on UNHCR contribution towards partner personnel costs. On this basis, UNHCR identified and shared good practices. In consultation with the Bureaux, country offices and partners,	X			

Report reference	Summary of recommendation	Administration comments on status, April 2017	Board comments on status, April 2017	Implemented	Under implementation	Not implemented	Overtaken by events
	efficiency savings are being considered and achieved, and share that information across other offices through a central focus point at headquarters.		these practices lead to the development of draft policies on partner personnel cost. This draft policy was piloted in several countries with certain partners before the final policy for implementing partners' personnel cost was issued in 2017. The Board trusts that the Office's Implementing Partner Management Service will regularly identify upcoming policy issues and addresses them. Thus, the Board considers this recommendation as implemented.				
A/71/5/Add.6, chap. II, para. 118	The Board recommends that UNHCR develop performance measures to assess the added-value impact of "Seeds for Solutions" and, more widely, activity to deliver durable solutions. In doing so, UNHCR should develop a strategy for working effectively with development partners and host Governments.	The reference to a strategy with development partners does not refer to a strategy document per se but to an approach. This approach is reflected in several documents — the most important one being the UNHCR strategic directions for 2017-2021, but there are also important references in the New York Declaration adopted by the General Assembly in 2016 (see resolution 71/1) and in the guidance note issued by UNHCR on the Sustainable Development Goals. The whole focus of UNHCR seeking to advocate for the mainstreaming of refugees and other persons of concern into national development programmes is central to the strategy. The multi-year, multipartner approach has been endorsed by the senior executive team and is now being rolled out to 23 operations. Initially this consists of a multi-year, multipartner protection and solutions strategy to be submitted offline which will then be reviewed and endorsed by the senior executive team. A broader	The Board noted that the Office's approach to work with development partners is reflected in several documents — the UNHCR Strategic Directions for 2017-2021, the New York Declaration, the UNDAF Guidance for working effectively with development partners and the Office's guidance note on the Sustainable Development Goals. In addition, the Board also confirms that the Office's guidance for operations developing a Multi-Year, Multi-Partner Protection and Solutions Strategy recommends that country operations formulate impact indicators and milestones together with assumptions and risks and that they ensure their monitoring and evaluation. The purpose of this strategy is to identify and achieve a shared vision of longer term protection and solution outcomes for people of concern that takes account of host communities and to realize this vision by leveraging the roles, resources and capacities of each partner and stakeholder. Moreover, UNHCR has launched a comprehensive review of its results-				X

Report reference	*Summary of recommendation*	*Administration comments on status, April 2017*	*Board comments on status, April 2017*	*Implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*
		implementation of the multi-year approach, including budgeting, resource mobilization, partnerships and systems/tools is currently under review. In terms of a matrix of operations that show a likelihood of success for durable solutions, the criteria for selecting the operations for the multi-year, multipartner approach take this into account, focusing in particular on those that follow the comprehensive refugee response framework approach and/or are part of the World Bank's International Development Association 18 window. Moreover, the senior executive team retains a modest allocation to distribute during the review of the multi-year, multipartner strategies towards operations that indicate a likelihood of durable solutions success.	based management framework which will be conducted in three phases. The inception phase of this review is expected to be completed during summer 2017. Therefore, the Board considers this recommendation to be overtaken by event.				
A/71/5/Add.6, chap. II, para. 122	The Board recommends that UNHCR rethink its approach to overseeing durable solutions so that it becomes embedded in delivery, using its multi-year strategies. It should consider developing a matrix of operations that show the likelihood of success for durable solutions which captures the political and structural barriers to delivering successful durable outcomes, using that information to	The multi-year, multipartner protection and solutions strategy was established with a pilot phase for six countries. Following the conclusions of the 2016 annual programme review calling for the expansion of the multi-year, multipartner planning approach, the solutions steering group requested the regional bureaux to propose 15 operations to undertake such an approach to solutions, ensuring regional and population diversity and balance. Based on a review of the operational context, including political and social environment, past results and likelihood of achievement of durable solutions	The Board noted several initiatives that will lead to a more prominent focus on solutions, among them being the New York Declaration, the Strategic Directions for 2017-2021 and the recommendation to establish a Solutions Division. These developments overtake the recommendation to rethink its approach to overseeing durable solutions. Therefore, the Board considers this recommendation to be overtaken by events.				X

Report reference	Summary of recommendation	Administration comments on status, April 2017	Board comments on status, April 2017	Implemented	Under implementation	Not implemented	Overtaken by events
	determine the effective allocation of resources within its annual programme review	in operations under their purview, the bureaux suggested 15 operations, which will be provided financial and technical support to develop new multi-year strategies for implementation as from 2018. As part of the effort to institutionalize the multi-year, multipartner approach, the lessons learned from the six pilot operations are informing the revision of the tools and guidance available to assist operations engaged in multi-year multipartner planning. This ensures the inclusion in each strategy of a comprehensive monitoring and evaluation framework consistent with the Office's system to ensure proper measurement of progress towards strategic objectives. Operations that demonstrate a high likelihood of success in solutions will be allocated additional resources through a dedicated envelope to be distributed at the time of the review of the multi-year strategies.					
A/70/5/Add.6, chap. II, para. 12	The Board recommends that UNHCR work with donors to improve the profiling of resources during the year to facilitate better forecasting, in order to minimize large year-end fluctuations and smooth procurement flows.	UNHCR continues to work with donors to increase predictability of funding and better forecasting through various measures previously communicated to the Board. Despite the occurrence of new emergencies, forecasting of donor contributions has become increasingly accurate in the last few years and the timing of contributions has further improved in 2016. Although there is an improved consistency in the forecasting of	The Board noted the further progress being made towards improved forecasting of donor resources. Automated funding updates are made available to field operations to allow for timely requests of increased operating level budgets and spending authority. The trend of increased multi-year contribution agreements furthermore facilitates the planning process. The Board would have expected that this improved forecasting situation would reduce year-end procurement peaks and would facilitate smooth procurement		X		

Report reference	*Summary of recommendation*	*Administration comments on status, April 2017*	*Board comments on status, April 2017*	*Implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*
		contributions against the actual revenue recorded and the spending authority granted to heads of office (particularly towards the second half of the year), it has to be noted that this does not imply that UNHCR may control or influence the timing of disbursements of contributions from donors, which in many cases happen during the second half of the year. Furthermore, procurement and spending are not spread evenly along the year, as there are other variables, like emergency situations, that influence the timing of procurement and project implementation timelines. UNHCR continues to improve its reporting systems and tools by investing in the redesign of the Global Focus website, where information on the operation and funding situation is shared with donors through standardized reports. The MSRP upgrade will improve internal and external reporting and facilitate the processes. Recording and reporting of revenues will further be automated, allowing for improved reporting and data analysis to better inform the decision-making process.	flows. However, the Board was not provided with information supporting this expectation. The recommendation is therefore still under implementation.				
A/70/5/Add.6, chap. II, para. 18	The Board recommends that, as management implements the global fleet management strategy for the period 2014-2018, it ensure that it collects the most appropriate metrics and data to assess and	UNHCR has engaged INSEAD to conduct an independent assessment of the implementation of the global fleet management strategy. The assessment report issued confirmed that the project is on track and the planned benefits have been realized so far. The study determined measures to assess the	The Board was informed that a draft of a new analytical report covering 2015 and 2016 was currently under review and expected to be finalized soon. In addition, UNHCR considers an evaluation of global fleet management to be conducted in the second half of 2017. The recommendation is considered to be		X		

Report reference	Summary of recommendation	Administration comments on status, April 2017	Board comments on status, April 2017	Implemented	Under implementation	Not implemented	Overtaken by events
	demonstrate the realization of the planned benefits as early as possible	benefits of the strategy, such as fleet size, average fleet age and procurement cost, where reduction has been achieved owing to global fleet management. UNHCR will update annually the assessment of these benefits using the same metrics and has commissioned INSEAD to continue monitoring and analysing the results and benefits of the implementation of the strategy. The findings of this study have formed the basis for the development of specific financial reporting criteria on the use of global fleet. Subsequently, a specialist from the INSEAD business school has conducted another independent assessment of the implementation of the global fleet management strategy. This assessment covered a larger set of data compared to the last one. The draft report has been issued and is now being reviewed. In addition, UNHCR has conducted a model calculation comparing the costs of fleet management for two options — the option of using the current global fleet management model against the option of not managing the vehicle fleet centrally. The calculations covered a period of 10 years (2014 to 2023) and confirmed that savings can be achieved with the global fleet management model. The model, which has also been presented to the Office's Independent Audit and Oversight Committee, will be reviewed and refined annually.	under implementation				
A/70/5/Add.6,	The Board recommends	In the context of the MSRP	The Board noted that the Managing			X	

Report reference	*Summary of recommendation*	*Administration comments on status, April 2017*	*Board comments on status, April 2017*	*Implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*
chap. II, para. 23	that UNHCR adopt data analytics to review compliance with key controls and build them into a systematic process to identify control exceptions or unusual transactions. Furthermore, management should seek to ensure the MSRP upgrade mandates separation of duties and facilitates exception reporting.	upgrade project, UNHCR will implement two governance risk and compliance (GRC) modules from Oracle (application access control governor and transaction control governor). These modules include features enabling performance of analytics to assist in reviewing compliance with key controls. Governance risk and compliance also enables a systematic process to identify control exceptions or unusual transactions and facilitates the control of separation of duties and exception reporting. Governance risk and compliance will be implemented as part of the overall MSRP upgrade scheduled to go live in May 2017.	Systems, Resources and People upgrade project intended to implement the Application Access Control Governor module and Transaction Control Governor module. The modules have been tested successfully during the different test phases. Both modules will be implemented with the Go-Live in May 2017. Therefore, the Board decided to close this recommendation as overtaken by events.				
A/70/5/Add.6, chap. II, para. 25	The Board recommends that UNHCR enhance its internal verification processes to pay greater attention to developing risk-based verification plans, specifically consider the risk of fraud, and extend checks to ensure accountability for the use of assets acquired with project funds in prior years.	UNHCR continues to strengthen partnership management through the "Enhanced framework for implementing with partners". This includes adoption of policies to improve monitoring of reports by partners, as well as risk-based verification of projects implemented by partners, that are now in place. Operations are required to fully and consistently apply these policies. Project financial reports showing the authorized budget/spending levels, as well as the cumulative expenses and new expenses made by the partner, together with project performance reports, are systematically subject to risk-based verification by programme and project control staff. Additionally, to enhance the quality of internal verification processes, UNHCR	During this year's audit, the Board reviewed processes for managing implementing partners during the implementation phase of project partnership agreements. This includes a review of risk-based verification plans. The Board's findings and updated recommendations on this point are summarized in the long form audit report. Therefore, the Board considers this recommendation as overtaken by events.				X

Report reference	Summary of recommendation	Administration comments on status, April 2017	Board comments on status, April 2017	Implemented	Under implementation	Not implemented	Overtaken by events
		has introduced in 2014 the practice of verifying by the field office the projects that were not subject to an external audit, as a complementary assurance measure. In addition, risk owners have been required to review and update the fraud risks, including those related to implementation through partners, in order to incorporate these risks into the country's corporate risk register during the first quarter of 2017. To strengthen the accountability exercised over the management of assets acquired with project funds, UNHCR has enhanced controls by introducing specific provisions in the standard project partnership agreement regarding handling of assets by partners. Additional features in the MRSP upgrade will allow for recording and tracking of assets procured with UNHCR funds. Partners are required to establish and maintain records that allow for the tracking of all goods and property, secure UNHCR approval prior to disposal, and provide periodic reporting on these assets. Partners are also required to conduct regular physical verification of property and facilitate periodic visits by UNHCR staff or persons duly authorized for the same purpose.					

Report reference	*Summary of recommendation*	*Administration comments on status, April 2017*	*Board comments on status, April 2017*	*Implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*
A/70/5/Add.6, chap. II, para. 31	The Board recommends that UNHCR establish a clear time frame to finalize the fraud risk assessments and mitigation plans for the most significant risks identified in the fraud prevention project. Furthermore, risk assessments should be used to inform the design of processes within the MSRP upgrade and of structured training for key staff in high-risk areas. The analysis should also be used to inform planning assessments carried out by OIOS and the Inspector-General.	The outcomes of the 2014-2015 fraud and corruption risk analysis are being reviewed and updated by the respective risk owners with a view to their integration into the corporate risk register during the first half of 2017. Various measures for mitigation of the fraud risks have been considered in the refinement of the conceptual design and implementation phases of the MSRP upgrade project. The e-learning programme on "Fundamentals of fraud and corruption awareness" was successfully released on 9 November 2016. This course is designed to help UNHCR personnel to uphold their responsibilities in ensuring that fraud and corruption are prevented or detected in their daily work and to take appropriate action when necessary. To ensure its usefulness and relevance, the course uses several examples and case studies that confront the learner with various everyday situations and possible fraudulent activities. The focus is on key fraud schemes that are most likely to affect everyone in UNHCR. The launch was accompanied with an UNHCR-wide awareness raising campaign on the occasion of the International Anti-Corruption Day. The draft of the fraud prevention manual was completed and is undergoing review by various stakeholders before its final issuance scheduled for the second quarter of 2017.	The Board noted that the "Fraud Prevention Manual" was still in a draft stage. The approval process for review and final approval within UNHCR was still ongoing and was expected to be completed during the third quarter of 2017. The Board considers the recommendation to be under implementation.		X		

Report reference	*Summary of recommendation*	*Administration comments on status, April 2017*	*Board comments on status, April 2017*	*Implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*
A/70/5/Add.6, chap. II, para. 36	The Board recommends that the MSRP upgrade steering committee: (a) Ensure that the key priorities are used to draw up a clear statement of benefits against which the success of the project can be measured; (b) Enhance the MSRP project risk process by regular review of the project risk register to consider the quality of mitigation measures and the time frame for addressing identified risks, and to ensure that the register is regularly refreshed.	With respect to part (a) of the recommendation, the established functional key priorities of the MSRP upgrade project are being taken into account in the solution built and implementation. In addition to the technical upgrade objectives, the project includes some functional enhancements and redesign of selected business processes in order to maximize the benefit of the upgrade. The dashboard of the key priorities is monitored and discussed at project level and at business owners committee and steering committee meetings, and is updated monthly as the project advances. The statement of benefits has been updated, presented to the Office's senior management and submitted to the Board. The benefits realization will be achieved as a result of refined, redesigned and improved business processes, reduced manual efforts, reduced duplication of efforts, improved operational effectiveness, adoption of industry best practices and standards, better accountability, greater transparency, and greater user satisfaction. UNHCR expects that efficiency and productivity gains will start to become evident during the period 2017, but the full impact is likely to be attained during the following biennium. With respect to part (b), management level risks are closely monitored by the business owners and steering committees. Mitigation and decisions are documented and followed up at	The Board noted that: (a) The Managing Systems, Resources and People upgrade project created the "Strategic Key Priorities & Project Benefit Plan". The committees and reporting procedures were implemented. (b) Risk logs were available and reviewed. The Board expects that risk management will be part of all future projects by UNHCR. The Board considers the recommendation as implemented.	X			

Report reference	*Summary of recommendation*	*Administration comments on status, April 2017*	*Board comments on status, April 2017*	*Implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*
		next meetings. The issues encountered at project level are monitored and addressed promptly, as well as reflected in the weekly and monthly work stream status reports and monthly project review meetings.					
A/70/5/Add.6, chap. II, para. 45	The Board recommends that UNHCR further review its cost classifications and definitions, especially across functional types, such as executive and management grades at the country and field office levels, and the programme support functions based at headquarters and in capital cities.	In March 2015, UNHCR reviewed the budgetary classification of positions and reclassified several positions, while taking into consideration related functions. In this exercise, several positions related to representation were moved to the programme support classification. The changes have been reflected in the Office's systems, including Focus, where the methodology follows the principles of results-based management, such as allocation to results or activities. In addition, in the context of ongoing discussions within the Finance and Budget Network and in response to the United Nations Chief Executive Board's recommendations on the common definition of operating costs for the United Nations system, UNHCR completed a review in 2016 to determine the applicability of the common cost classification approach adopted by other United Nations agencies. As a result, UNHCR has further refined the methodology employed to allocate its programme, programme support and management and administration costs and made some changes as a result of the review which have	The Board has obtained additional documentation on the revised budgetary classification of position broadcast in April 2016 and the revised "Policy and Procedures on the Application of the Programme Support Component to Earmarked Contributions" (UNHCR/HCP/2015/10/Rev.1, approval date 8 June 2016). The revised documentation makes clear that UNHCR undertook another thorough review leading to a reclassification of several positions. This review addressed the recommendation. The Board considers the recommendation as fully implemented.	X			

Report reference	Summary of recommendation	Administration comments on status, April 2017	Board comments on status, April 2017	Implemented	Under implementation	Not implemented	Overtaken by events
		come into effect in the second half of 2016. This is reported in annex IV of the Office's biennial programme budget 2016-2017 (revised). Furthermore, the review to determine the applicability of the common cost classification adopted by other United Nations agencies has concluded that the Office's three cost categories of programme, programme support and management and administration are essentially equivalent to those used by other United Nations agencies, as laid out in the annex to the Office's policy and procedures on the application of the programme support component to earmarked contributions.					
A/70/5/Add.6, chap. II, para. 52	The Board recommends that: (a) Funded overhead costs of international implementing partners included in partner agreements be reclassified as administrative costs in the disclosures in the financial statements; (b) Management review its scrutiny of administrative costs within the budgets of implementing partners to better evidence as to how UNHCR achieves value for money from those agreements.	In the response to part (b) of the recommendation, UNHCR will continue to strengthen the process of reviewing partnership expenses. Nevertheless, it should be noted that UNHCR already has procedures in place to review implementing partnership budgets in detail and to substantiate the amounts budgeted against the local costs specific to the particular project under review. This review is conducted primarily by the operations, supported by headquarters. Evidence is available to substantiate management scrutiny in challenging partnership costs at the level of budget line item, output and objective levels in the context of partnership agreement negotiations. Partner personnel costs, which constitute a substantive amount of the overall	The Board assessed part (a) of this recommendation as implemented in its last year's report. Regarding the implementation of part (b) of this recommendation, the Board noted the issuance of policy on implementing partner personnel costs in 2017 which addressed parts of administrative costs. The Board trusts the Office's Implementing Partner Management Service to regular identify upcoming policy issues in relation to administrative costs and addresses them. The Board intends to monitor how field operations have applied this policy. Therefore, this part of the recommendation remains under implementation.		X		

Report reference	*Summary of recommendation*	*Administration comments on status, April 2017*	*Board comments on status, April 2017*	*Implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*
		budget under partnership agreements, have been thoroughly reviewed and an improved approach for determining the Office's contribution towards partner personnel costs is being applied since beginning of 2017. It is noted that UNHCR offices have applied since 2014 a revised internal policy for allocating a fixed percentage rate towards the project headquarters support cost for projects undertaken by international partners. Since the introduction of the revised policy in 2014, the Division of Financial and Administrative Management reviewed a representative sample, scrutinized the calculation of the allocations made by country offices and provided advice and guidance for its accurate application, where needed.				
A/70/5/Add.6, chap. II, para. 55	The Board recommends that management further develop the annual programme review process to build in a consistent framework to demonstrate the efficiency challenges to programme budgets and to record and summarize the key efficiency outcomes.	Currently, UNHCR has in place performance indicators to measure programme performance through several oversight mechanisms on budgetary and expenditure trends, such as those conducted in the annual programme review and the midyear review. Operational costs vary greatly from operation to operation due to many variables such as the operational life cycle, location and nature of the mandated activities. UNHCR currently assesses these variations before and during the annual programme review process. In the spirit of improving the financial review process, UNHCR is taking action to further strengthen its	The Board recognizes the progress made with the development of the draft policy and procedures for resource planning and management. Although certain of the changes foreseen in the draft with regard to the annual programme review (APR) process were implemented in 2017, the process was still ongoing and therefore the Board could not yet review the full impact of the changes for the 2018 planning cycle. Thus, this recommendation is under implementation.		X		

Report reference	Summary of recommendation	Administration comments on status, April 2017	Board comments on status, April 2017	Implemented	Under implementation	Not implemented	Overtaken by events
		analysis capacity by designing and implementing an improved analysis framework in the context of the annual programme review The review of the internal resource allocation framework has been finalized. This includes modifications of the annual planning, review and approval processes to achieve improvements in the quality of the submissions and increased efficiency of the review and approval processes. The proposed revised framework is under discussion by the senior executive team for final deliberation and approval. Components of the revised resource allocation framework will already be incorporated in the current year's annual programme review.					
A/70/5/Add.6, chap. II, para. 59	The Board recommends that UNHCR, within the scrutiny process, build in an assessment of country office variances to define metrics by which to assess country plans, including expenditure per refugee per programme, variance in budgetary requirements being unmet, and instances of underspend and overspend compared with outcomes achieved.	UNHCR has in place separate and complementary processes to review its budget. Costs are regularly and routinely reviewed when country plans are submitted on an annual basis to Headquarters. Cost per capita analysis is also performed when budget changes are requested, in order to analyse the impact of such changes. Instances of overspend and underspend in relation to the outcomes achieved are also reviewed, including variance analysis on expenditures. In addition, reviews are done on different levels, ranging from individual operation-level submissions to review of overall subjects such as protection or multi-year programmes.	The Board notes the linkages to the recommendation in A/70/5/Add.6, chap. II, para. 55 (see above). However, since the 2018 planning process was still ongoing, the Board could not yet review how assessment of country office variances was used for the 2018 planning cycle. This recommendation remains under implementation until such time as the Board is able to assess the finalization of the first implementation cycle under revised planning procedures.		X		

Report reference	*Summary of recommendation*	*Administration comments on status, April 2017*	*Board comments on status, April 2017*	*Implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*
		The revision of the resource allocation framework includes modifications of the annual planning, review and approval processes to achieve improvements in the quality of the submissions and to increase efficiency and effectiveness of the review and approval processes. Relevant components of the revised resource allocation framework will be incorporated in the current year's annual programme review.					
A/70/5/Add.6, chap. II, para. 68	The Board recommends that UNHCR review the existing scrutiny process, as there is an opportunity to further challenge and document the cost-effectiveness of proposed interventions at the headquarters level. In doing so, UNHCR should review opportunities to include performance metrics which enable cost-effectiveness to be measured.	UNHCR continues to improve in the area of cost-effectiveness. A working group composed of representatives from relevant divisions, including the evaluation service as recommended by the Board, was established to review existing processes and guidance for the analysis of cost-effectiveness in UNHCR. The working group will develop a guidance framework to assist operations in the review process, to obtain a consistent analysis of cost-effectiveness across the organization. A review of practices on value for money in other organizations is ongoing and guidance is being drafted to assist operations in systematically reporting on value for money practices. Additional information on this initiative is also included in the reply to the recommendations contained in A/70/5/Add.6, chap. II, para. 82 (see below).	The Board noted progress being made in connection with the establishment of the working group and the intention to develop guidance to assist operations in the review process regarding cost drivers. The recommendation is under implementation.		X		

Report reference	Summary of recommendation	Administration comments on status, April 2017	Board comments on status, April 2017	Implemented	Under implementation	Not implemented	Overtaken by events
A/70/5/Add.6, chap. II, para. 75	The Board recommends that UNHCR standardize performance indicators, for example, by the maturity of the country's circumstances in delivering education services. In doing so, UNHCR should work closely with country offices to rationalize the selection of indicators and use only those deemed essential rather than being "nice to know".	In 2015, UNHCR has strengthened its work on education data management in support of education indicator management. The list of standardized indicators, which represents a smaller set of indicators as compared to the existing set of results framework indicators pertaining to the education objective and associated outputs, has been elaborated and is being further refined. UNHCR intends to further provide specific guidance on the selection of indicators, not only to define a minimum level of indicators, but to provide guidance to field offices on which indicators are appropriate to their situation and to eventually establish a maximum number of indicators. Nevertheless, the Division of International Protection has already undertaken work to make recommendations to field operations on minimum indicators for education, child protection and sexual and gender-based violence activities as part of the integrated approach for these areas of protection. Corporate efforts to improve on data quality for education are continuing. In 2016, two training workshops on education data management are organised with the participation of UNHCR, government, non-governmental organization and United Nations counterparts, building on the first workshop in 2015. These efforts are expected to result in gradual improvements in the data quality through increased capacity and	The Board noted the UNHCR instructions for reporting on 2016 implementation in 2017 and planning for 2018-2019. These instructions ask operations to develop or update a Protection and Solutions strategy, which is supposed to outline a multi-year multipartner vision. They also contain a minimum indicator set for Detention, Education, SGBV and Child Protection Monitoring activities. Moreover, UNHCR has launched a comprehensive revision of its RBM framework. In its first phase, the latter will also deliver a new results framework structure and parameters guiding its content revision. The Board expects this new initiative to result in a new RBM framework which overtakes individual shortcomings of the current framework and, therefore, closes this recommendation as overtaken by events.				X

Report reference	*Summary of recommendation*	*Administration comments on status, April 2017*	*Board comments on status, April 2017*	*Implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*
		coordination between the staff of UNHCR and partner organizations, as well as with government counterparts and United Nations sister agencies. This is also in line with the Office's strategic direction towards integration of refugee children (and children in refugee-like situations) into national education systems. Having concise and reliable data both quantitative and qualitative is imperative in advancing this agenda. A report based on the review completed in 2016 on the three strategies covering child protection, education and sexual and gender-based violence, is expected by June 2017. This will result in harmonizing data management systems so as to minimize the Office's data management resources and maximize information outcomes. A revision of the Office's results-based management system, including its results framework, commenced in January 2017 and will examine the current corporate results-based management model for measuring results. Preliminary recommendations on the overall structure of the results framework, including for the use of performance indicators, are expected in the second half of 2017.				
A/70/5/Add.6, chap. II, para. 78	The Board recommends that, as part of the review of the global reporting framework, UNHCR include cluster	Currently, cluster themes are included in various reporting structures. For example, the results framework has an objective specifically covering	The Board noted several initiatives that would lead to a new results-based management Framework, among them being the New York Declaration, the Strategic Directions				X

Report reference	Summary of recommendation	Administration comments on status, April 2017	Board comments on status, April 2017	Implemented	Under implementation	Not implemented	Overtaken by events
	themes as part of its reporting hierarchy	"Coordination and partnerships strengthened", with outputs relating to "Coordination mechanisms established" and "Joint assessment, planning and evaluation exercises held". The Office's work within clusters is also reported through the global strategic priorities under the area "UNHCR makes effective use of and contributes to improving humanitarian coordination mechanisms". The annual reporting exercise also includes a specific requirement for the Office's operations to report on "Partnerships — coordination and contributions", summarizing the main achievements and challenges in inter-agency coordination, including cluster leadership In addition to assuming the cluster leadership in many operations, UNHCR is also contributing to the overall programmatic response which is primarily directed to interventions in the three cluster areas that UNHCR leads (protection, camp coordination and camp management and shelter). These programmatic activities are planned for within the Office's results framework	for 2017-2021 and the comprehensive results-based management revision. Therefore, the Board closes this recommendation as overtaken by events.				
A/70/5/Add.6, chap. II, para. 82	The Board supports the plans of UNHCR to use its Focus system to better link costs and outcomes in each of its business sectors. UNHCR needs to take a tougher, clearer stance on the	While the Office's operations carefully review linkages between costs and outcomes, UNHCR recognizes that there is room for further improvement in choosing the most effective combination of outputs to achieve maximum impact and ensuring that the identified outputs are executed in the most cost-efficient manner	The Board noted progress being made in connection with the establishment of the working group and the intention to develop guidance to assist operations in the review process regarding cost drivers. The recommendation is under implementation		X		

Report reference	Summary of recommendation	Administration comments on status, April 2017	Board comments on status, April 2017	Implemented	Under implementation	Not implemented	Overtaken by events
	importance of information on costs and service performance, particularly on linkages between enrolment in education, delivery and retention, and the impact of achieving good-quality education qualifications. Without such information, fully informed judgments on the value for money achieved, or the cost-effective targeting of assistance, are not possible	As indicated in the replies to the recommendations contained in A/70/5/Add.6, para. 68 (see above) and para. 83 (see below), a working group composed of representatives from relevant divisions, was established to review existing processes and guidance for the analysis of cost-effectiveness in UNHCR. The working group will develop a guidance framework to assist operations in the review process and to obtain a consistent analysis of cost-effectiveness across the organization. A review of practices on value for money in other organizations is ongoing and guidance for operations to systematically be able to report on value for money practices is being drafted					
A/70/5/Add.6, chap. II, para. 83	The Board recommends that UNHCR headquarters issue central guidance to country teams on cost-effectiveness criteria in education services as an aid to decision-making and resource allocation in education programmes	As indicated in the replies to the recommendations contained in A/70/5/Add.6, paras. 68 and 82 (see below), a working group composed of representatives from relevant divisions has been established. The working group will review existing processes and guidance for the analysis of cost-effectiveness, both within field operations at the time of projects development and related budgetary requirements, and at headquarters to support review processes. The group will also develop a guidance framework to assist operations in the review process and to obtain a consistent analysis of cost effectiveness across the organization. A review of practices on value for money in other	The Board noted progress being made in connection with the establishment of the working group and the intention to develop guidance to assist operations in the review process regarding cost-effectiveness. The Board has also taken notice of the fact that UNHCR seeks for uniform general guidance rather than programme specific guidance that would address, e.g., education, health programmes etc. separately or specifically. The recommendation is considered to be under implementation.		X		

Report reference	Summary of recommendation	Administration comments on status, April 2017	Board comments on status, April 2017	Implemented	Under implementation	Not implemented	Overtaken by events
		organizations is ongoing and guidance for operations to systematically be able to report on value for money practices is being drafted.					
A/70/5/Add.6, chap. II, para. 89	The Board recommends that, to be able to assess overall impact, UNHCR work towards collecting accurate data on retention and integration within national systems and define key performance metrics for all country offices.	Using existing systems and tools, and based on lessons learned from the field to date, UNHCR is currently working on improving data management in education, including on school retention and integration within national systems. Several field missions have been carried out to assess gaps on how data is collected and analysed, and sessions on data management have been included in workshops organized by the Education Unit of the Division of International Protection. Data management improvement is pursued by working in collaboration with other divisions (Division of Programme Support and Management and Division of Information Systems and Telecommunications) to ensure education data collection are fully integrated within the Office's data management systems. Field-level training courses on data management were rolled out in 2015 with the development of training material and the first workshop was conducted for partner and government staff at UNHCR country operations in eastern Africa. In addition, guidance on measuring the extent of education's integration into national systems has been developed and will be	The Board recognizes the activity carried out and notes the Office's instructions for reporting on 2016 implementation in 2017 and planning for 2018–2019. These instructions ask operations to develop or update a protection and solutions strategy and to outline a multi-year, multipartner vision. They also contain a minimum indicator set for detention, education, sexual and gender-based violence and child protection monitoring activities. Moreover, UNHCR has launched a comprehensive revision of its results-based management framework. In its first phase, the latter will also deliver a new results framework structure and parameters guiding its content revision. The Board expects this new initiative to result in a new results-based management framework which overtakes individual shortcomings of the current framework and, therefore, closes this recommendation as overtaken by events.				X

Report reference	*Summary of recommendation*	*Administration comments on status, April 2017*	*Board comments on status, April 2017*	*Implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*
		systematically disseminated to all country offices, including a checklist on key benchmarks for measuring progress on integration					
A/70/5/Add.6, chap. II, para. 93	The Board recommends that UNHCR include human resources matters in the agenda at senior management meetings, thereby giving them visibility in terms of gender composition, recruitment times for ongoing and completed cases and skills gaps. The UNHCR senior management team should review comparable workforce data, as presented by the Board in table II.11 and annex II, to determine its optimal use of resources.	Human resources matters are now included on the agenda at senior management meetings on a regular basis. Key comparable workforce data prepared by the Division of Human Resources Management in consultation with business owners are submitted to the senior management committee for periodic review. The following initiatives, tools and processes to improve the visibility of human resources matters at senior management level as necessary for decision-making process have been put in place: • A new methodology for the selection of UNHCR candidates to the Resident Coordinators Assessment Centre and humanitarian coordinators pool selection and a review of the findings and strategy for the future on gender equity, diversity and inclusion • The Workforce Analysis and Business Intelligence Unit of the Division of Human Resources Management has developed a range of senior management dashboards with key workforce analytics (leadership, retirement, recruitment, etc.) allowing for regular and ad hoc reports to be provided to the senior management	The Board has obtained meeting minutes from senior management committees proving that human resource topics were on the agenda of the committee on a regular basis. The Board noted that the dashboards which were developed by the Workforce Analysis and Business Intelligence Unit of the Division of Human Resources Management over the past three years were of informative value for the preparation of such meetings and for the information of the senior management. The Board considers that this recommendation has now been implemented.	X			

Report reference	Summary of recommendation	Administration comments on status, April 2017	Board comments on status, April 2017	Implemented	Under implementation	Not implemented	Overtaken by events
		• A new self-service analytical human resources reporting system was launched in the third quarter of 2016 (first phase) • Additionally, an analysis of flexible workforce arrangements in UNHCR has been completed. It provides evidence-based recommendations on the most strategic and ethical use of affiliated personnel in the Office's blended workforce. An affiliate workforce steering committee, led by the Deputy High Commissioner, is taking the recommendations forward. Activities include improving coordination and support to affiliates in the field; ensuring institutional human resources data management; elaborating a corporate policy on the affiliate workforce; and improving and better harmonizing terms and conditions for the affiliate workforce • Since the completion of the "Framework for the future", a senior management group on inclusion, diversity and gender equity has been established to take forward the recommendations and is supported by a senior advisor on inclusion, diversity and gender equity. Work is ongoing. The senior advisor is developing inclusion, diversity and gender equity priorities, an implementation plan and					

Report reference	*Summary of recommendation*	*Administration comments on status, April 2017*	*Board comments on status, April 2017*	*Implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*
		communication strategy, as well as, in alignment with the Office's global strategic priorities, an accountability framework and key performance indicators/metrics with regard to inclusion, diversity and gender equity (for bureaux, divisions and field operations) including a reporting toolkit (diversity dashboard) to engage, equip and empower leaders and managers to take responsibility and self-monitor progress					
		• A senior workforce planning committee chaired by the Deputy High Commissioner was established to keep management regularly informed of leadership and succession planning matters. Meetings were held in February and September of 2016					
		• A senior management committee meeting to present the People Strategy implementation plan and engage managers in different human resources initiatives took place in November 2016. An overview of workforce metrics was also presented. Another senior management committee meeting on key human resources metrics, inclusion, diversity and gender equity and the newly established workforce planning framework took place in December 2016					

Report reference	*Summary of recommendation*	*Administration comments on status, April 2017*	*Board comments on status, April 2017*	*Implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*
A/70/5/Add.6, chap. II, para. 100	The Board recommends that UNHCR identify the staff mix and capabilities that are required in the future, in order to plan for where the organization will be in the medium and long term, and what its staffing needs will be. The human resources strategy should go some way towards supporting that aim. In addition, the workforce analysis and business intelligence unit should build up its understanding of the optimal composition of the workforce and the capabilities needed, in order to create a medium- and long-term staffing plan.	UNHCR is committed to significantly reducing the risk of misalignment of its workforce through several initiatives. The People Strategy, issued in January 2016, foresees the establishment of appropriate systems and intelligence for analysing trends that may affect demand for the number, location and skills of staff. A strategic and transformative human resources service is leading the process of workforce planning in consultation with the divisions, bureaux and the Executive Office. This process will require full cooperation of all managers in the organization. In addition, the Division of Human Resources Management Workforce Analysis and Business Intelligence Unit is strengthening its analytical capacity to better anticipate future staffing needs. Trends analysis will continuously be cross-referenced against the results of consultations with relevant units on evolving staffing needs in terms of volume, functional areas, diversity and language requirements. The Workforce Analysis and Business Intelligence Unit is committed to provide self-service access to key human resources information at both summary and detail level. For this purpose, various dashboards for top management have been and continue to be developed to enable an analysis of the current workforce status — an essential foundation upon which key decisions will be built.	The Board is encouraged by the work being done. Good progress was made with the launch of the People Strategy in December 2015 and the implementation status as documented in the implementation work plan 2016-2019. The Board noted progress being made with regard to the analysis of the status of the workforce. The analysis includes, inter alia, a demand assessment, enhances supply in critical functional streams and also provides guidance for discussions between the Division of Human Resources Management, the bureaux and other divisions. A certification programme for senior leadership and management positions is ongoing, which enables the evaluation of managerial and leadership skills required to assume higher level positions. Retirement schedules are closely monitored to facilitate timely succession plans. The Board expects the Division of Human Resources Management to implement a regular update process of the analysis and closure of the identified gaps, if any. With the actions taken the Board considers the recommendation to be implemented.	X			

Report reference	*Summary of recommendation*	*Administration comments on status, April 2017*	*Board comments on status, April 2017*	*Implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*
		Successful completion of the MSRP upgrade of the human resources module will allow Workforce Analysis and Business Intelligence Unit to expand its new analytical reporting system to include current and predict future skills mix and capacities within the organization. A first application of the workforce planning occurred in the areas of succession planning and identification of the candidates for the certification programme for representatives. Furthermore, a specific output has been defined under the UNHCR People Strategy 2016-2021 to create and maintain a single data source for all human resources workforce management reports and analysis". This process, started in the first quarter of 2016, consists of the development of a centralized, single source real-time user interface available to UNHCR managers, with graphical presentation of key human resources trends to enable informed decisions (leadership/ retirement, recruitment, demographics/diversity, skills mix, etc.). Furthermore, the following actions were taken to mitigate the strategic risk of workforce misalignment: • Institutionalizing business partnering • Developing the Division of Human Resources Management business intelligence and workforce analysis capacities as building blocks for data-driven human resources decision-making					

Report reference	*Summary of recommendation*	*Administration comments on status, April 2017*	*Board comments on status, April 2017*	*Implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*
		• Establishing a workforce planning framework. Objectives and key components (building blocks) of these actions include: • Critical workforce segments identification (current focus on leadership but the methodology and tools developed will be applied gradually to different segments of the workforce) • Developing and validating a skills and experience framework for talent pipelining (all job profiles are being reformatted and updated in MSRP) • Improving workforce data (person profile), coding of missing workforce data (education, languages, past experience, skills, performance results, etc.) to allow advanced analysis, matching and reporting • Talent pools and pipeline management (nurturing and developing) • Ongoing talent data analysis, with particular attention to inclusion, diversity and gender equity considerations					

Report reference	Summary of recommendation	Administration comments on status, April 2017	Board comments on status, April 2017	Implemented	Under implementation	Not implemented	Overtaken by events
A/70/5/Add.6, chap. II, paras. 113 and 114	The Board notes that UNHCR has an objective to consider how best to streamline the process, once the system upgrade has been completed in 2016 There are a range of options that could support that, and the Board recommends that management consider (a) Limiting the number of posts staff can apply for, which should help to reduce the delays in sifting applications. (b) Establishing a roster system so that posts can be classified against generic job profiles, as far as possible aligning capabilities to posts and thereby reducing the volume of applications and the need for suitable candidates to go through the entire recruitment process. (c) Setting targets for the number of staff between assignments or beyond their assignment lengths. (d) Whether certain core or technical specialized functions are exempt from the mobility model.	(a) Limiting the number of posts that staff can apply to is technically feasible and is under review. In parallel, UNHCR remains focused on developing better mechanisms to sift through applications and is looking into all possible options to render the process more agile and timely. The upgraded MSRP system (human resources module) will allow reducing or eliminating parts of the screening process. A quicker screening response will also be made possible through enhanced profile-based recruitment, like the acquisition of an applicant tracking system for faster and more efficient management of the influx of applications, and the introduction of technology to facilitate testing and interviewing of candidates by online channels. (b) On talent pool job openings, job profiles exist but new improvements on workforce planning will allow UNHCR to screen applicants to an approved skills/capabilities framework once implemented. It is possible that the number of applicants can be reduced for externally advertised jobs. However, one issue is that people apply to the talent pools to get screened and be part of the pool, but then they also apply to jobs advertised externally. Consequently, the number of applications is not always reduced. Once recommendation (a) is implemented, and external applicants understand that they do not need to reapply if already	The Board noted the roster system in place. In addition, the number of staff between assignments is thoroughly monitored. Therefore, the Board considers parts (b) and (c) of the recommendation as implemented. Concerning part (a) of the recommendation, the Board recognizes the work being done and considers that good progress has been made. The Board will close this part of the recommendation when UNHCR finalizes the launch of the new assignment framework which is expected to take place during the summer 2017. Regarding part (d) of this recommendation, the Board noted that the new assignment framework would include a rule on rotational, non-rotational and semi-rotational jobs. Until this part of the recommendation is also implemented this recommendation is considered to be under implementation.	X		

Report reference	Summary of recommendation	Administration comments on status, April 2017	Board comments on status, April 2017	Implemented	Under implementation	Not implemented	Overtaken by events
	depending upon operational need. That should then free up time for the human resources team to start thinking in a more strategic way about the needs of the business.	included to a talent pool, the number of unnecessary applications will eventually decrease. (c) UNHCR will look into establishing indicators related to the number of staff in between assignments or beyond their assignment lengths, to be used in measuring the overall performance of the talent management and mobility processes. Alternatively, discussions are underway to avoid such situations at all or to keep the number to a minimum. (d) Discussions are under way about non-rotation and function specific rotation for certain jobs.					
A/66/5/Add.5, chap. II, para. 114	The Board recommends that UNHCR review the various approaches to project tracking across its network in order to identify best practices with wider applicability and assess compatibility with the corporate information technology strategy.	UNHCR first decided to review jointly with UNICEF and the company that developed and owns the tool, the potential to further upgrade the system and to have it as a readily available tool (with information technology support), in the contexts above. During the review, UNICEF found that the tool was insufficient to handle all its requirements, and decided to develop its own distinct data system. At the end of 2015, UNHCR decided to further test the tool, for the activity tracking of the projects in four pilot UNHCR operations. Of the four operations that volunteered to participate in the pilot, two (Kenya and Tunisia) never started, while the pilot is completed in the other two operations (Libya and Egypt). A field mission was organized in	The Board noted the linkage with the recommendation contained in A/69/5/Add.6, chap. II, para. 50 (see below). The Board also noted that UNHCR finished the piloting of Activity Info in Libya and Egypt and decided not to roll out Activity Info. The Board confirms that UNHCR found that Activity Info did not offer the requisite level of flexibility for it to be adopted as a corporate "field activity and results tracking" solution for management of implementing partners and direct implementation in UNHCR. UNHCR considers that Activity Info may be useful in certain circumstances and for some operations but its limited functionality does not make it a reliable and comprehensive solution to respond to the needs of all UNHCR operations in terms of data collection, activity monitoring and reporting.				X

Report reference	Summary of recommendation	Administration comments on status, April 2017	Board comments on status, April 2017	Implemented	Under implementation	Not implemented	Overtaken by events
		Tunis to extract the lessons learned from the Tunisia and Libya operations. Feedback was collected from UNHCR and partners, in their experience in using the tool. After more than one year of testing, a report has now been finalized. The report concludes that Activity Info does not currently offer the required flexibility and functionalities to cover operations' needs in terms of field activity and progress tracking. However, the pilots and the ongoing review of other tool solutions have been very helpful in informing the Office's pursuit of establishing core business requirements for a complete project and activity tracking system. UNHCR will continue to explore all options on the market (existing tool, or specific development) that may cover these requirements. This work is part of the larger results-based management revision process.	In addition, UNHCR decided to launch the results-based management project in January 2017. The goals of the Activity Info trial will be picked up in the new project. The Board expects this new initiative to result in a new results-based management framework and a new tool solution. Therefore, the Board closes this recommendation as overtaken by events.				X
A/68/5/Add.5, chap. II, para. 105	The Board recommends that UNHCR include in the new fleet management manual guidance on how to assess alternatives to the use of distant garages when remote servicing can result in excessive mileage, extended vehicle downtime and high transit costs. Guidance should include requirements for:	In June 2015, UNHCR issued "Operational guidelines for the management and use of UNHCR vehicles", which address the requirements for adequate repair and maintenance. The approach of managing repair and maintenance of vehicles in UNHCR will be further developed in the next phase of the global fleet management programme. Between 2017 and 2019, it is planned to increase the coverage of the maintenance and repair scheme gradually so that by the end of 2019 the majority of	The Board noted the progress being made with the maintenance and repair initiative. However, the envisaged implementation through a centralized function and through one global service provider appeared to be impractical. As a result, UNHCR is now considering a decentralized approach with a focus on the quality control of local service providers. An administrative instruction on maintenance and repair is scheduled to be prepared. The recommendation remains under implementation.		X		

Report reference	*Summary of recommendation*	*Administration comments on status, April 2017*	*Board comments on status, April 2017*	*Implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*
	(a) Periodic testing of local markets for the availability of closer commercial maintenance facilities of the requisite standard; (b) Periodic review of the scope for United Nations agencies, non-governmental organizations and implementing partners to procure maintenance collectively, to leverage greater bargaining power or attract reliable operators to open facilities nearby; (c) Consideration of the maintenance of a stock of oil and filters at the field office level to enable the most basic (category A) servicing to take place in the field	UNHCR vehicles will be covered by the scheme. A request for proposals to secure repair and maintenance services was issued in 2016. Offers received will be reviewed and a proposal is expected to be submitted to the Headquarters Committee on Contracts. Implementation is expected to commence by the second quarter of 2017.					
A/69/5/Add.6, chap. II, para. 45	The Board recommends that UNHCR evaluate the costs and benefits of basing the Regional Bureau in Amman to determine whether any lessons can be learned for existing or future operations.	UNHCR carried out a review of costs and benefits of basing the Regional Refugee Coordinator/Director of the Regional Bureau for the Middle East and North Africa in Amman with the objective of improving the existing management/governance structure. The review drew lessons for the future design of structures for managing large-scale and rapidly evolving emergencies. A comprehensive report on this joint review was sent to the High Commissioner and shared with the auditors.	The Board notes that the review of costs and benefits of basing the Regional Refugee Coordinator/ Director of the Regional Bureau for the Middle East and North Africa in Amman was conducted and its results were shared with the High Commissioner and the consultant who conducted the headquarters review. The headquarters review, among other things, analysed possibilities to decentralize the regional bureaux into their respective regions and provided recommendations on decentralizing the regional bureaux. Thus, the Board considers this recommendation as implemented.	X			

Report reference	*Summary of recommendation*	*Administration comments on status, April 2017*	*Board comments on status, April 2017*	*Implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*
A/69/5/Add.6, chap. II, para. 50	In view of the success of the initiative in the Syrian Arab Republic, the Board recommends that UNHCR explore the scope for wider use of online geographical information systems such as Activity Info.	UNHCR first decided to review jointly with UNICEF and the company that developed and owns the tool, the potential to further upgrade the system and to have it as a readily available tool (with information support), in the contexts above. During the review, UNICEF found that the tool was insufficient to handle all its requirements, and decided to develop its own distinct data system. At the end of 2015, UNHCR decided to further test the tool for the activity tracking of its the projects in four pilot UNHCR operations. Of the four operations that volunteered to participate in the pilot, two (Kenya and Tunisia) never started, while the pilot has been completed in the other two (Libya and Egypt). A field mission was organized in Tunis to extract the lessons learned from the Tunisia and Libya operations. Feedback was collected from UNHCR and partners regarding their experience in using the tool. After more than one year of testing, a report has now been finalized. The report concludes that Activity Info does not currently offer the required flexibility and functionalities to cover operations' needs in terms of field activity and progress tracking. However, the pilots and the ongoing review of other tool solutions have been very helpful in informing the Office's pursuit of establishing core business	The Board noted the linkage between this recommendation the one contained in A/66/5/Add.5, chap. II, para. 114 (see above). The Board also noted that UNHCR finished the [illegible]ing of Activity Info in Libya and [illegible]' that UNHCR decided not to [illegible]ivity Info. The Board confirms that UNHCR found that Activity Info did not offer the requisite level of flexibility for it to be adopted as a corporate "field activity and results tracking" solution for management of implementing partners and direct implementation in UNHCR. UNHCR considers that Activity Info may be useful in certain circumstances and for some operations but its limited functionality does not make it a reliable and comprehensive solution to respond to the needs of all UNHCR operations in terms of data collection, activity monitoring and reporting. In addition, UNHCR decided to launch the results-based management project in January 2017. The goals of the Activity Info trial will be picked up in the new project. The Board expects this new initiative to result in a new results-based management framework and a new tool solution. Therefore, the Board closes this recommendation as overtaken by events.				X

Report reference	Summary of recommendation	Administration comments on status, April 2017	Board comments on status, April 2017	Implemented	Under implementation	Not implemented	Overtaken by events
		requirements for a complete project and activity tracking system. UNHCR will continue to explore all options on the market (existing tool, or specific development) that may cover these requirements. This work is part of the larger results-based management revision process.					
A/69/5/Add.6, chap. II, para. 56	The Board, given the major scale of the UNHCR Jordan cash programme and the plans to expand it to other countries, recommends that UNHCR commission an independent expert evaluation of the programme, with the aim of reporting before the end of 2014.	UNHCR commissioned an independent evaluation on the organization's response to the refugee influx in Jordan and Lebanon. This evaluation has been finalized. Other studies conducted in this respect included an analysis by the Norwegian Refugee Council of cash-based distribution of non-food items in refugee camps in Jordan, Oxfam's report on the impact of cash distributions on Syrian refugee households in host communities and informal settlements in Jordan, and the UNHCR study on coping mechanisms among Syrian refugees in four countries in the region. Although rich in information, these studies did not provide the required insights to substitute for an independent evaluation of the cash assistance programme in Jordan. The need of an independent evaluation has been recognized and a tender is now prepared for this purpose. The Evaluation Service has provided general advice to the Jordan Office on the evaluation process, including guidance for preparation of the terms of	The Board noted that the implementation of this recommendation was overdue for some time now. The terms of reference for the independent evaluation of the cash assistance programme in Jordan have not yet been finalized. However, the evaluation service expects that the tender for this evaluation will be launched at the end of May 2017. Therefore, this recommendation remains under implementation.		X		

Report reference	Summary of recommendation	Administration comments on status, April 2017	Board comments on status, April 2017	Implemented	Under implementation	Not implemented	Overtaken by events
		reference in view of commissioning the evaluation.					
A/69/5/Add.6, chap. II, para. 86	The Board recommends that UNHCR issue central guidance to country teams on cost-effectiveness criteria in health services as an aid to decision-making and resource allocation in health programmes.	UNHCR will develop guidance for country teams on cost-effectiveness criteria as recommended by the Board, using published international data and best practices. In 2015, after a review of the draft guidelines prepared at that time, it was concluded that a more detailed financial analysis of all health programmes was required to address this recommendation. This analysis of the health expenditures was completed and the findings contributed to the finalization of an operational guidance note on public health and nutrition that will be incorporated as part of the revision of the programme manual. A background note on the Cost-effectiveness of UNHCR public health expenditures was finalized in July 2016. The advance draft has been shared and is planned to be released with the next update of the programme manual.	The Board noted progress being made in connection with the establishment of the working group and the intention to develop guidance to assist operations in the review process regarding cost-effectiveness. The Board has also taken notice of the fact that UNHCR seeks for uniform general guidance rather than programme specific guidance that would address, e.g., education, health programmes etc. separately or specifically. The recommendation is considered to be under implementation.		X		
	Total			**9**	**28**	**–**	**10**
	Percentage			**19**	**60**	**–**	**21**

Chapter III

Statement of the responsibilities of the High Commissioner and approval and certification of the financial statements

Letter dated 31 March 2017 from the United Nations High Commissioner for Refugees and the Controller and Director of the Division of Financial and Administrative Management of the Office of the High Commissioner addressed to the Chair of the Board of Auditors

The United Nations High Commissioner for Refugees is ultimately responsible for the content and integrity of the financial statements contained in the accounts of the voluntary funds administered by the High Commissioner.

To fulfil this responsibility, the Office of the High Commissioner operates within prescribed accounting policies and standards, and maintains systems of internal accounting controls and procedures to ensure the reliability of financial information and the safeguarding of assets. The internal control systems and financial records are subject to reviews by the Office of Internal Oversight Services and the Board of Auditors during their respective audits.

In this context, the financial statements contained in chapter V, comprising statements I to V and the supporting notes, were prepared in accordance with the financial rules for voluntary funds administered by the High Commissioner (A/AC.96/503/Rev.10) and the International Public Sector Accounting Standards. In management's opinion, the financial statements present fairly, in all material respects, the financial position of the voluntary funds administered by the United Nations High Commissioner for Refugees as at 31 December 2016 and its financial performance and cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards.

The accounts are hereby approved and certified.

(*Signed*) Filippo **Grandi**
United Nations High Commissioner for Refugees

(*Signed*) Linda **Ryan**
Controller and Director
Division of Financial and Administrative Management

Chapter IV
Financial report for the year ended 31 December 2016

A. Introduction

1. The United Nations High Commissioner for Refugees has the honour to submit the financial report and financial statements on the accounts of the voluntary funds administered by him for the year ended 31 December 2016, in accordance with United Nations financial regulation 6.2 of the Financial Regulations and Rules of the United Nations (ST/SGB/2013/4) and article 11 of the financial rules for voluntary funds administered by the High Commissioner (A/AC.96/503/Rev.10).

2. The financial report provides financial information relating to the voluntary funds administered by the High Commissioner, in accordance with the International Public Sector Accounting Standards. The voluntary funds include the Annual Programme Fund (consisting of the global refugee programme and the global stateless programme), the Global Reintegration Projects Fund, the Global Internally Displaced Persons Projects Fund, the Junior Professional Officers Fund, the Staff Benefits Fund, the Medical Insurance Plan and the Working Capital and Guarantee Fund. It presents an overview of the operational context, financial analysis and budgetary performance by major activity groupings, highlighting trends and significant changes.

3. The financial report is designed to be read in conjunction with the financial statements, consisting of five statements and supporting notes.

B. Operational context and activities overview

4. The Office of the United Nations High Commissioner for Refugees (UNHCR) is mandated by the General Assembly to lead and coordinate international action for the protection of refugees and the search for durable solutions. UNHCR has also been mandated to address the problems of other groups, including refugees who have returned to their homelands and stateless persons. UNHCR also responds to the humanitarian and protection needs of internally displaced persons. As part of the collaborative approach of the United Nations system to internal displacement, UNHCR has been given lead or co-lead responsibility for the clusters for protection, emergency shelter, camp coordination and camp management. This work is carried out under the overall coordination of the United Nations Emergency Relief Coordinator and with the consent of the State concerned.

5. During the reporting period, UNHCR was engaged — through its network of country and field offices in over 100 countries — in providing protection to and seeking solutions to the plight of around 67 million women, men, girls and boys who were refugees or internally displaced. This work was multifaceted, involving the development of legal protection frameworks, training of government officials to prevent and respond to situations of gender-based violence, intervention with warring parties, life-saving emergency relief assistance and provision of assistance to displaced persons in finding solutions through voluntary return, local integration or resettlement to a third country. It was carried out in close collaboration with Governments, other United Nations entities and international and national non-governmental organizations and with the active involvement of the affected populations and host communities. At the global level, UNHCR was involved in organizing the first high-level plenary meeting of the General Assembly on addressing large movements of refugees and migrants in September 2016, which resulted in the adoption of the New York Declaration for Refugees and Migrants

(see General Assembly resolution 71/1). This declaration reaffirms the international protection regime for refugees and commits States to manage forced displacement as a shared international responsibility. In annex I to the declaration, UNHCR was tasked with taking forward the development of a comprehensive refugee response framework, which is expected to provide the foundation for pursuing joint programming aimed at durable solutions in situations of large movements of refugees.

6. Further progress was achieved under the global campaign of UNHCR to end statelessness by 2024, known as "I Belong", which resulted in thousands being granted a nationality. Three countries acceded to the 1954 Convention relating to the Status of Stateless Persons and the 1961 Convention on the Reduction of Statelessness, bringing the total number of States parties to those conventions to 89 and 68, respectively. To increase compliance with the two statelessness conventions, UNHCR supported States in reforming their nationality and related laws. The number of asylum applications continued to be very high, putting pressure on the Office's refugee status determination activities worldwide. In 2016, UNHCR continued to conduct individual refugee status determinations under its mandate in more than 60 countries and territories. UNHCR operations reported improvements in the prevention of and response to situations of sexual and gender-based violence across many operations. UNHCR also continued to make efforts to increase the percentage of unaccompanied and separated children for whom "best interests" procedures were initiated. The Office, together with partners and in close collaboration with host communities, continued to assist Governments in fulfilling their obligations with respect to refugees' needs for protection, assistance and solutions. UNHCR improved children's access to primary education and retention in schools by strengthening partnerships with key education partners, expanding safe learning spaces and developing the capacity of teachers. UNHCR engaged in advocacy and provided support for the inclusion of refugee children in national education systems.

7. In 2016, UNHCR supported persons of concern in some 25 countries under UNHCR level 2 and 3 emergency declarations and three Inter-Agency Standing Committee system-wide level 3 emergencies. UNHCR provided 12,274 tons of core relief items with a total value of $66.27 million to some 17 emergency operations.

8. UNHCR promoted increased participation of women in leadership structures in both refugee situations and situations of internal displacement. The Office sponsored training to enhance women's ability to take on community-based leadership roles and continued to advocate for increased participation of females in management structures. Holding democratic elections when selecting community representatives and actively involving men and boys in gender equality activities also proved useful in this regard. Refugee and community outreach volunteer networks were instrumental in ensuring women's inclusion in participatory assessments and community mobilization. There are still numerous impediments to women's full participation, including restrictive gender roles, customary or traditional practices, mobility restrictions imposed on women by family members and the overwhelming burden of domestic responsibilities.

9. UNHCR continued in 2016 to implement comprehensive strategies promoting the self-reliance of refugees and others of concern. The Office worked closely with host Governments and communities to foster gradual inclusion of refugees in host-country systems and structures. This involved seeking improvements across the four main dimensions of integration, namely the legal, economic, sociocultural and civil-political aspects. In some operations, UNHCR focused its efforts on facilitating refugees' access to the labour market or inclusion in the local economy by advocating for access to work permits and facilitating job placements. In others,

access to national social services, including health services and education systems, was the primary concern. Legal frameworks were reviewed and barriers to the inclusion of refugees were identified. The year 2016 was an exceptional year for resettlement activities, with UNHCR referring a record 150,000 persons to 37 States engaged in resettlement and related humanitarian pathways. Driven by unprecedented State interest to increase quotas or establish new programmes, UNHCR significantly scaled up its global resettlement capacity in order to meet growing opportunities.

10. The total population of concern to UNHCR at the end of 2016 was estimated at 67 million persons. This estimate includes 17 million refugees, 3.4 million asylum seekers, 35 million internally displaced persons protected or assisted by UNHCR, 3.2 million stateless persons and 750,000 other persons of concern. In addition, during the year, it is estimated that around 550,000 refugees repatriated and 6.9 million internally displaced persons returned to their places of origin.

11. In 2016, the total estimated budgetary requirements for addressing the needs of all persons of concern amounted to $7,509.7 million ($7,232.4 million in 2015). Total available funds were $4,410.8 million ($3,706.8 million in 2015), while UNHCR implemented activities in the amount of $3,967.1 million ($3,294.8 million in 2015) (see table IV.1). The delivery of services to persons of concern was based on the global operational priorities of the organization, covering access to a favourable protection environment, fair protection processes and documentation, security from violence and exploitation, basic needs and services, community empowerment and self-reliance and durable solutions.

C. Financial analysis

12. The financial position of UNHCR at year-end and the annual financial performance since 2012 (the year when UNHCR adopted financial reporting on an accrual basis, in accordance with IPSAS) are summarized in the table below.

Financial position and financial performance, 2012-2016

(Millions of United States dollars)

	2012	*2013*	*2014*	*2015*	*2016*
Total assets	1 681	2 226	2 000	2 315	2 526
Total liabilities	647	697	883	859	940
Net assets	**1 034**	**1 529**	**1 117**	**1 456**	**1 586**
Revenue	2 437	3 165	3 056	3 582	3 974
Expense[a]	2 323	2 704	3 360	3 279	3 847
Surplus/deficit	**113**	**460**	**(305)**	**303**	**127**

[a] Including foreign exchange gains/losses.

13. As at 31 December 2016, total fund balances and reserves amounted to $1,586.1 million (see statement I), representing an increase of $130.0 million (or 8.9 per cent) compared with the balance as at 31 December 2015. This increase was a result of the performance surplus of $126.9 million (see statement II) and the gain arising from the actuarial valuation of after-service health insurance of $3.1 million (see statement III).

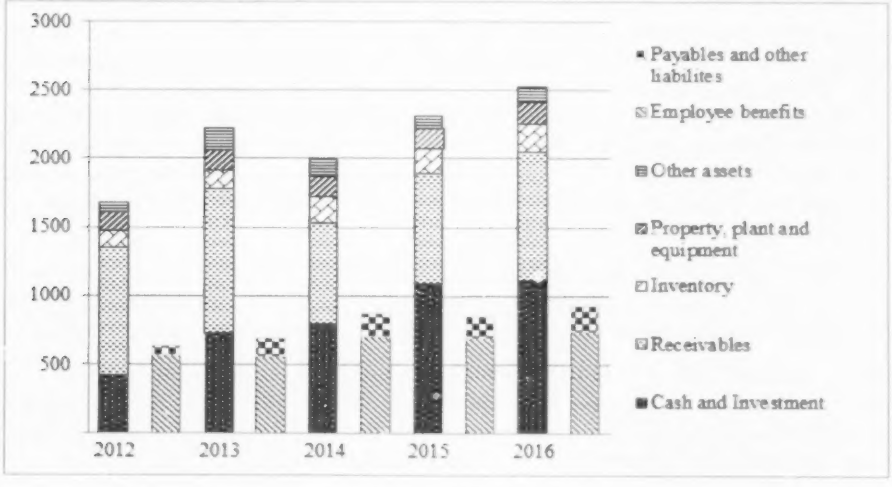
14. The fund balances and reserves comprise the accumulated fund balances and reserves ($2,170.0 million), the Working Capital and Guarantee Fund ($50.0 million), the Medical Insurance Plan ($32.4 million) and the Staff Benefits Fund (net deficit of $666.2 million).

15. The accumulated fund balances and reserves include the operational reserve ($10.0 million), the new or additional mandate-related activities reserve ($20.0 million), a provision to increase the Working Capital and Guarantee Fund ($25.0 million), the Reintegration Projects Fund ($38.8 million), the Internally Displaced Persons Projects Fund ($167.0 million), the United Nations Regular Budget Fund (net deficit of $0.4 million) and the Junior Professional Officers Fund ($14.9 million), as detailed in note 3.11.

16. The composition of the assets and liabilities of UNHCR for the year-end of 2012-2016 is depicted in figure IV.I below by main category.

Figure IV.I

(Millions of United States dollars)



17. As at 31 December 2016, financial instruments such as cash, investment and receivables accounted for 85.0 per cent of the total of assets, most of which are current assets. Employee benefit obligations accounted for 79.4 per cent of total liabilities, largely pertaining to long-term obligations.

18. The table below provides some key financial ratios as at 31 December 2016 compared with those as at 31 December 2015.

	As at 31 December 2016	*As at 31 December 2015*
Current assets to current liabilities	7.94	8.61
Total assets to total liabilities	2.69	2.69
Cash and cash equivalents to current liabilities	3.49	3.95

19. The current ratio (current assets to current liabilities) is a liquidity ratio reflecting the balance between those assets that will materialize within the next 12 months and those liabilities/payments that the organization needs to settle within the next 12 months. The higher the current ratio is, the more capable the organization is of meeting its obligations. At the end of 2016, the current ratio was 7.94. This needs

to be seen in the context of the specific activities performed by UNHCR. In general, entities that have control over the timing of revenue generation attempt to synchronize the generation of liabilities with the pattern of revenue; therefore, a straight comparison between current asset and current liability provides a good indication of the ability of the entity to meet its current obligations. In the case of UNHCR, much of the revenue recognized as receivable over the next 12 months is pledged when the annual pledging conference takes place, just before year-end. The contribution pledges are generally based on a budget designed to match the budgeted costs of delivering programmes for the same period. However, the budgeted projection of expenses does not constitute a liability, resulting in a mismatch in the timing of recognition of the revenue and assets and the corresponding liabilities. This mismatch produces a higher current ratio at the end of the financial year than would be the case if the timing of revenue pledges were more closely matched with the incurrence of costs for the programmes that such revenue is expected to fund.

20. As at 31 December 2016, the total amount of cash and short-term investment was $1,122.4 million, an increase of $29.5 million compared with $1,092.9 million in 2015. Excluding the amounts pertaining to the Working Capital and Guarantee Fund, the Staff Benefits Fund, the Medical Insurance Plan and the Junior Professional Officers Fund, the cash and short-term investment available for operational activities amounted to $955.2 million ($942.2 million in 2015). This covers approximately 3.0 months of operational needs on the basis of average monthly expenses in 2016. By the time of the certification of the financial statements (31 March 2017), the balance of cash and investments had been further reduced to $769.0 million ($785.7 million as at 31 March 2016) from the balance of $1,122.4 million as at 31 December 2016.

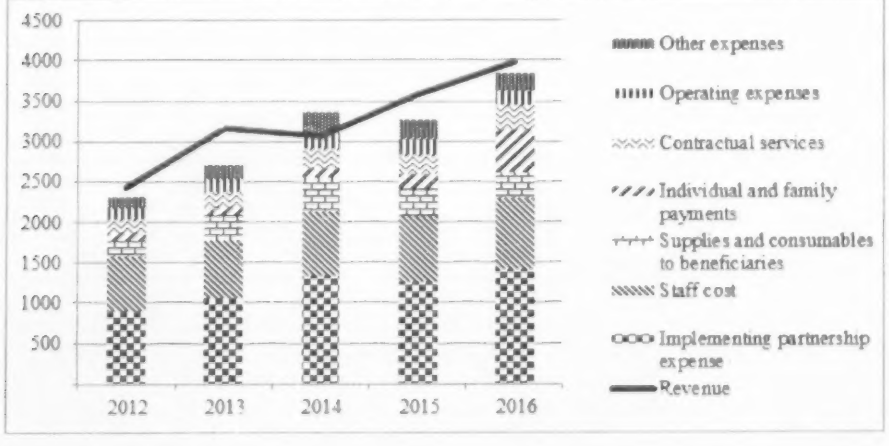
21. In terms of financial performance (see statement II), UNHCR ended the year with a surplus (revenue minus expenses, including foreign exchange losses) of $126.9 million (compared with a surplus of $303.5 million at the end of 2015).

22. The significant change in the annual result of 2016 in comparison with 2015 is driven mainly by the increase in voluntary contributions revenue of $407.6 million being offset by the increase in individual and family payments of $345.9 million and implementing partnership expenses of $160.0 million.

23. Figure IV.II below depicts the revenue and expenses for 2012-2016.

Figure IV.II

(Millions of United States dollars)



24. The total revenue for 2016 was $3,973.8 million, an increase of $391.5 million, or 10.9 per cent, from 2015. Voluntary contributions from donors, including in-kind contributions, amounted to $3,921.9 million (accounting for 98.7 per cent of total revenue), of which $759.0 million was intended for future years' activities (2017-2021).

25. The total expenses for the financial period amounted to $3,846.9 million, an increase of 17.3 per cent compared with 2015 ($3,278.9 million). Statement V presents the 2016 expenditure of $3,967.1 million on a modified cash basis used for budgeting purposes. The reconciliation between the two bases is presented in note 7. Notable changes from 2015 in annual expenses reported in statement II for 2016 are explained in the paragraphs below.

26. Expenses pertaining to agreements signed with implementing partners, amounting to $1,420.8 million, increased by 12.7 per cent compared with 2015 ($1,260.8 million). The largest increase occurred in the operations responding to the Syrian situation (Greece, Turkey, Syrian Arab Republic, Jordan and Lebanon), followed by the operations in the United Republic of Tanzania, Kenya and Uganda.

27. Expenses for supplies and consumables for beneficiaries amounted to $325.3 million, representing a decrease of 5.6 per cent compared with 2015 ($344.5 million).

28. Expenses on individual and family payments to beneficiaries represent the cash assistance implemented directly by UNHCR and exclude the amount distributed through partners, which is reported as part of the implementing partnership expenses. The cash assistance managed directly by UNHCR, amounting to $527.8 million, increased by 190.2 per cent compared with 2015 ($181.9 million), reflecting a continuing expansion of the cash-based interventions to assist persons of concern. The main increase related to the Syrian situation and the repatriation of Afghan refugees.

29. Staff salaries and benefits, amounting to $874.0 million, increased by 7.5 per cent compared with 2015 ($812.9 million), reflecting the impact of the demands of emergencies faced during the period.

30. Expenses for contractual services, amounting to $292.8 million, increased by 21.4 per cent compared with 2015 ($241.2 million). Increases are observed across major operations for various specialized contracts, including construction ($19.7 million), security ($4.0 million), financial services for cash distribution ($6.3 million) and travel and accommodation of the persons of concern ($10.1 million).

31. The year 2016 continued to be characterized by low interest rates in respect of the United States dollar and the euro, which, together with the organization's investment management objective of emphasizing capital preservation and liquidity over the rate of return, explains the continuing modest interest revenue of $4.6 million ($1.8 million in 2015) generated during the year. The increase compared to 2015 is largely attributable to higher average cash balances rather than higher average interest rates.

32. The distribution of the surplus for 2016 is shown in the statement of changes in net assets (statement III). The revenue for 2016 included the recognition of $759.0 million relating to monetary contributions and pledges from donors recorded and recognized in 2016 but intended for future-period activities (2017-2021), as shown in table 5.1.2. Furthermore, UNHCR had legal commitments (open purchase orders) of $392.9 million as at 31 December 2016 for goods and services to be received early in 2017. Accordingly, some of the revenue recognized in 2016 will only be matched by expenses to be incurred during 2017 and subsequent years.

D. Programme budget performance highlights

33. While the financial statements have been prepared on an accrual basis, the programme budget of UNHCR continues to be formulated and presented on a modified cash basis. Therefore, for the purpose of budgetary management and performance analysis, expenses are translated into an equivalent basis. A summary of the comparison of budget and actual amounts is shown in statement V.

34. All figures quoted in the present section as expenditure, income or funds available refer to modified cash basis figures, comparable with budgets and exclusive of the Working Capital Fund, the Staff Benefits Fund, the Medical Insurance Plan and any special accounts held during the period.

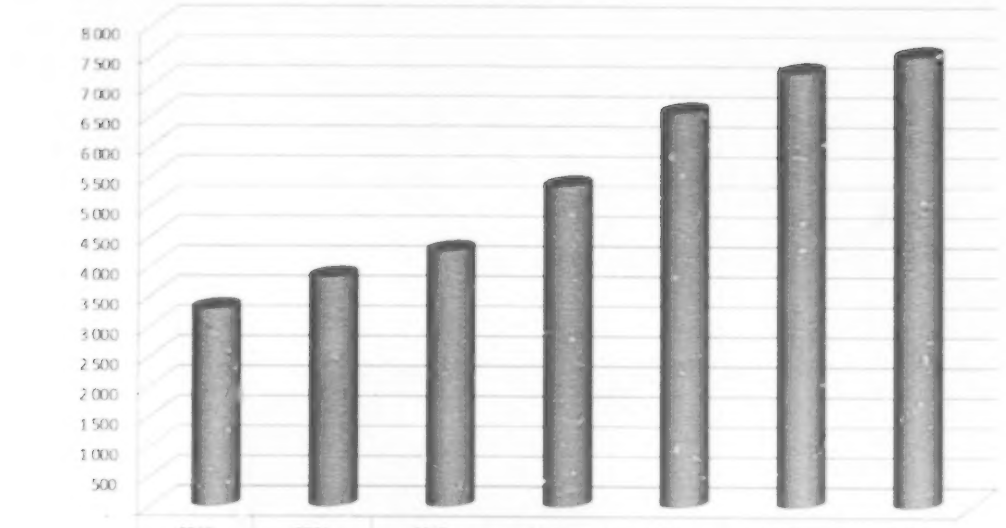
35. The global needs assessment budget of UNHCR is formulated on the basis of assessed needs, which is a unique feature within the United Nations system of organizations. An assessment of the needs of persons of concern to UNHCR serves as the basis for the formulation of the programme budget.

36. Subsequent to the approval of the budget by the Executive Committee, a global appeal is launched for fundraising purposes. The High Commissioner authorizes the allocation of funds for the implementation of programmes and projects on the basis of the availability of funds. During the implementation period, the High Commissioner may revise the budget with supplementary budgets, in accordance with article 7.5 of the financial rules for voluntary funds administered by the High Commissioner, to meet new or additional needs arising in the course of the same period.

37. The original budget for 2016 approved by the Executive Committee at its sixty-sixth session (October 2015) amounted to $6,546.3 million. Subsequently, at its sixty-seventh session (October 2016), the Executive Committee approved the revised budget for 2016, amounting to $7,184.7 million. The final budget for 2016 amounted to $7,509.7 million, representing the sum of the approved original budget of $6,546.3 million and the total supplementary budgets established by the High Commissioner in the course of the year in the amount of $1,006.8, minus a budget reduction of $43.4 million. The supplementary budgets established in 2016 pertained to responses for the situations in Afghanistan ($131.5 million), Burundi ($160.6 million), Nigeria ($11.5 million), Somalia ($107.9 million), South Sudan ($79.1 million) and Yemen ($108.0 million), as well as for the crisis in Europe ($351.1 million), the increased resettlement capacity ($40.2 million) and the protection and solutions strategy for the northern triangle of Central America ($16.9 million). The reduction resulted from a revision of the population figures in Chad ($38.4 million) and in the Middle East and North Africa region as a result of the alignment with the Regional Refugee and Resilience Plan in response to the crisis in the Syrian Arab Republic ($5.0 million).

38. Since the introduction of the global needs assessment budget in 2010, requirements have reflected a steady increase, reaching $7,509.7 million in 2016, a 3.8 per cent increase compared with 2015 (see figure IV.III).

Figure IV.III
Requirements, 2010-2016
(Millions of United States dollars)



39. The resource requirements of UNHCR are grouped under each of the four main programme pillars: global refugee programme (pillar 1), global stateless programme (pillar 2), global reintegration projects (pillar 3) and global internally displaced persons projects (pillar 4).

40. Table IV.1 shows the breakdown of total requirements, funds available and expenditure by pillar, with the United Nations Regular Budget Fund and the Junior Professional Officers Fund included under pillar 1. The difference between the total requirements for 2016 (global needs assessment budget) and the funds available represents the unfunded needs of persons of concern to UNHCR in 2016, amounting to $3,098.9 million.

Table IV.1
Total requirements, funds available and expenditure, 2016
(Millions of United States dollars)

	Pillar 1[a]	*Pillar 2*	*Pillar 3*	*Pillar 4*	*Total*
Total requirements (global needs assessment budget)	5 873.8	57.9	262.1	1 315.9	7 509.7
Funds available	3 646.3	32.4	70.1	662.0	4 410.8
Expenditure	3 222.1	32.4	67.5	645.1	3 967.1
Carry-over[b]	424.2	0.1	2.6	16.9	443.7
Expenditure on total requirements (percentage)	55	56	26	49	53
Expenditure on funds available (percentage)	88	100	96	97	90

[a] Inclusive of the United Nations Regular Budget Fund, the Junior Professional Officers Fund, operational reserve and reserve for new or additional mandate-related activities.
[b] The figures in this line do not add up to the total because of rounding.